Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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PAKISTAN
Ishaq Khan emerges from the shadows
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Thatcher likely to reject IRA internment

By Kieran Cooke in Dublin and Tom Lynch in London

THE BRITISH Government appears unlikely to respond to calls for internment without trial for terrorist suspects in Northern Ireland after Saturday's IRA bomb attack which killed eight soldiers and injured 27, six critically.

The Government's options include sending more troops to Northern Ireland and reintroducing internment without trial for IRA suspects. However, the return of internment is felt to be unlikely, both because of ministerial scepticism and the IRA's declared preparedness to replace anyone imprisoned.

Scientists at the scene of Saturday's bomb attack near Omagh in County Tyrone yesterday examined the debris left by the 200lb bomb which blew apart the soldiers' bus. The area was sealed off while troops supported by helicopters searched for those responsible.

Irish police yesterday discovered a cache of 70 home-made mortar bombs in a field 25 miles from Dublin. In Belfast, explosives, bomb-making equipment, guns and a large quantity of ammunition were discovered at the Royal Victoria hospital in the heart of the city, underlining the task faced by security forces north and south of the Irish border.

Mrs Margaret Thatcher, the Prime Minister, met Mr Tom King, the Ulster Secretary, Sir John Hermon, the Chief Constable of the Royal Ulster Constabulary, and Lt Gen Sir John Waters, the General Officer Commanding the Army in Northern Ireland, at her official residence on Saturday.

Mrs Thatcher and Mr King have resisted calls for internment after previous atrocities. However this option has not been ruled out.

Supporters of internment argue that the security forces know the terrorists are, but intimidation of witnesses makes it hard to obtain convictions, even in the province's non-jury courts.

They argue that selective detention would disrupt the terrorists' communications, command structures and supply lines. They accept that internment is a denial of human rights, but argue that it is a lesser evil than continued atrocities.

Opponents argue that it would inflame the situation, damage the UK's international reputation and endanger hard-earned security co-operatiou

Internment was introduced in 1971 but abandoned four years later.

There are fears of a repeat of the violence triggered by the 1971 round-up and that internment would be a propaganda coup for the IRA.

Northern Ireland after the bombing, Page 7

Soviet Union decrees crash programme to boost consumer goods

By John Lloyd in Moscow

THE SOVIET Government has decreed a crash programme to raise the quantity and quality of consumer goods such as clothes, cars, television sets, shoes and household appliances - which would be achieved partly by purchasing Western production equipment and technology.

The announcement, published in the main newspapers yesterday, criticised shortages and the poor quality of goods, and acknowledged widespread and "serious" dissatisfaction among Soviet consumers. It identified consumer satisfaction as the most important objective set by the 19th party congress last month.

Ministries and enterprises had been "slow to introduce new technology," slow in switching to the decreed principle of self-financing and slow to improve quality, the announcement said.

In a series of detailed instructions, the Government called for enterprises under the control of the Ministry of Light Industry - the main consumer goods ministry - to produce goods to the value of Roubles 24bn ($38bn) in excess of the targets of the current five-year plan (to 1990). The targets are to be exceeded by Rb9bn next year and Rb15bn in 1990.

Official figures show that consumer industries produced goods to the value of Rb165bn in the first six months of this year. Such an increase, the announcement said, would allow the targets for these goods in the next five-year plan period (to 1995) to be raised by 17.8 per cent, or Rb113bn.

The production of coats is to be raised by 6m, or 11 per cent, over the next two years, suits by 6.9m (14 per cent), raincoats by 3.8m (150 per cent), jackets by 16.4m (46 per cent), knitted garments by 396m (22 per cent), leather shoes by 78m pairs (10 per cent), children's knitted tights by 30m (11 per cent) and ladies tights - a particularly sore issue - by 100m (180 per cent).

Enterprises outside the control of the Ministry of Light Industry, including cars and household appliances, have been told to raise production by more than Rb15bn in the next two years.

The Government says 2.3m cars should be produced annually by 1995 and production of television sets must reach an annual level of 13.6m by 1995 (current production stands at 3.5m). Production of video recorders must grow to 2m in 1995.

A number of industries, including defence, have been told to switch to the production of fridges and freezers, so that their annual output can be increased by 2m by 1995.

Such hugely optimistic targets were not accompanied by any commentary on the amount of hard currency which would be needed to buy production equipment from abroad. They illustrate, however, the concern being voiced about the low availability and standards of a wide range of goods.

Yesterday's announcement repeatedly exhorted ministries and enterprises to produce goods "of a world standard."

Criticism of the production and distribution of goods is becoming ever sharper. An article in the Nedelya magazine over the weekend by Professor Andrei Orlov, director of the Soviet Institute of Market and Consumer Demand, complained that there was "no trade, but only distribution . . . a person is forced to take what he is allocated."

Prof Orlov contrasted this with the Western practice of "merchandising - which means the ability to display goods in such a way that one's hand automatically reaches for the purse."

He called for the development of co-operatives which would lease buildings from the state and "specialise purely in the production of goods in high demand."

He concluded: "It is time to remember that the customer is no longer that obedient, voiceless individual, as he has been portrayed by tradespeople in the past. Times are changing and he is demanding guarantees and the protection of his rights."

Walesa calls off shipyard strike

● Polish Solidarity leader Lech Walesa said he delayed plans for a shipyard strike because the Government had indicated it had proposals to end labour unrest across the country and involving more than 15,000 workers. Page 14

● Soviet police halted a demonstration in Moscow marking the 20th anniversary of the Soviet-led invasion of Czechoslovakia. In Prague, hundreds booed police at a rally in Wenceslas Square commemorating the invasion. Page 2

Republican vice presidential nominee Dan Quayle points to the crowd as his presidential running mate George Bush looks on

Bush gains despite rows over Quayle

By Stewart Fleming, US Editor, in Washington

VICE-PRESIDENT George Bush gained in popularity after the Republican convention last week in spite of the controversy over Senator Dan Qualye, his running mate, according to an opinion poll published yesterday.

The poll by Newsweek magazine puts Mr Bush nine points ahead of his Democratic rival, Governor Michael Dukakis, of Massachusetts.

Seperately yesterday, Mr Craig Fuller, the Vice-President's chief of staff, said the idea of dropping Mr Quayle from the Repnblican ticket "was never considered."

Mr Bush vigorously defended his selection of Mr Quayle, descrihing tbe controversy over the Indiana conservative's decision to serve in the US in the National Guard during the Vietnam war as "a tempest in a teapot."

These comments came amid signs that the Bush campaign's vigorous defence of Mr Quayle's selection and the Vice-President's own strong showing in the convention in New Orleans have helped to limit the damage to his election prospects arising from the controversy.

The Newsweek poll has Mr Bush leading Mr Dukakis hy 51 per cent to 42 per cent among voters asked who they would

Continued on Page 14

Regulators rescue eight US thrifts with $2.5bn package

By Roderick Oram in New York

US FEDERAL regulators have consolidated another eight Texas savings and loan institutions, including some of the industry's biggest losers, into one organisation. The move will cost $2.5bn but new investors have yet to be found.

The Federal Home Loan Bank Board, the thrifts' regulatory agency, said it acted to end heavy operating losses at the institutions and to make them more attractive to potential buyers.

Restoring the eight thrifts to financial health will require more Government help in coming years, pushing the total cost of their rescue above $5bn, federal regulators estimate.

The funds will come from the Federal Savings and Loan Insurance Corp, the thrifts' deposit insurance agency funded by the industry and Government.

The move consolidates the eight into Sunbelt Savings of Dallas which, under its previous management, had been one of the most notoriously reckless lenders in Texas' early 1980s property boom.

Mr Ed McBirney, then chairman, had built it into a multi-billion institution, nicknamed Gunbelt Savings, while he was still in his early 30s.

Using customers' money as if it was his own, be lived a lavish lifestyle that was the talk of Dallas. At one memorable birthday party he hired a magician to make an elephant disappear.

Regulators kicked out Mr McBirney and his colleagues two years ago, replacing them with a new team led by Mr Thomas Wageman, a former Chicago banker.

The eight thrifts were showing a negative net worth of $2.5bn, mainly from writing off non-performing real estate loans. The bale-out was the second large one in two days, indicating the quickening pace of regulators' efforts to restore the savings and loan industry's health.

Heavy losses, mainly from collapsing property prices, have left insolvent some 350 US thrifts, most in Texas. Regulators say it will cost some $44bn to hale out the failed thrifts but private estimates run to more than $70bn.

As part of the consolidation announced on Friday, the Federal Savings and Loan Insurance Corp will give Sunbelt a $2.5bn note to eliminate the negative net worth.

Continued on Page 14

Hunt brothers manipulated silver market, jury rules

By Janet Bush in New York

A FEDERAL jury in *Manhattan* ruled on Saturday that the Hunt Brothers of Texas had conspired with a group of other investors to corner the world silver market in 1979 and 1980.

The three Hunt brothers and the other defandants were ordered to pay more than $130m in damages to Minpeco, a commodities company owned by the Peruvian Government, which claimed it had incurred losses of $151m during tha period when the Hunt brothers manipulated the silver market.

Two other class actions (in which lawyers wrap together numerous individual suits) on behalf of investors in the silver market during that period are pending. The weekend ruling should strengthen the case against the Hunt brothers, leaving the way open for more damages awards.

The ruling established, for the first time, the Hunt brothers' responsibility for the extraordinary volatility in the silver price from September 1979, when it stood at $9 an ounce, to January 1980, when it soared to $50 an ounce only to collapse to $10 an ounce two months later, in March.

Attorneys for the Hunt brothers are thought likely to appeal against the ruling or at least try to negotiate lower damages.

Lawyers acting on behalf of Minpeco are confident, however, that Saturday's ruling will be upheld if it goes to appeal.

Mr John Corette, an attorney at the Washington-based firm ofCole, Corette and Abrutyn, said that the jury in the Minpeco case had been extremely conscientious and that the judge, Judge Morris Lasker of the Federal District Court, had made numerous difficult legal rulings throughout the six-month civil suit.

Judge Lasker is also presiding over the two class action suits.

Mr Corette believes Saturday's ruling establishes that the Hunt brothers and the other defendants had violated anti-trust laws, commodity exchange laws and Rico – the RacketeerInfluenced and Corrupt Organisations Act – as well as common fraud laws.

He feels this will provide a strong case for lawyers fighting the two class action suits, although it is not yet clear under which laws the Hunts will be charged in further cases, nor whether racketeering charges will be used.

Rico, the law designed to combat organised crime, carries stiff penalties including long jail sentences and fines.

More important, however, Mr Corette believes the award of damages on Saturday sets an important precedent in the area of investor protection from market manipulation.

"This ruling will be a deterrent to those who try to manipulate markets. They now know that they cannot do it and get away with it. This case sets an important precedent for pro-

Continued on Page 14

World News

India-Nepal earthquake kills more than 500

An earthquake triggered landslides and destroyed thousands of homes in the mountainous India-Nepal border region, killing at least 500 people and injuring more than 1,500. Officials said they expected the toll to rise and a leading Indian seismologist warned that more earthquakes were likely in the next few days. Page 3

Iran denies violation as UN patrols Gulf

Iran denied an Iraqi claim that its forces violated the Gulf war cease-fire. The Iraqi News Agency said an Iranian sniper infiltrated an Iraqi ground position and killed a private. UN officials said the two-day ceasefire was holding despite charges of violations by both sides. United Nations boats have been deployed in the Gulf to monitor the cease-fire. Uneasy truce, Page 2

New Caledonia deal

Agreement on the terms of a new dispensation for New Caledonia was concluded between the French government and teams from the two main ethnic communities of the French Pacific territory. Page 2

Aquino on progress

Philippines President Corazon Aquino vowed to bring progress to her divided nation, despite challenges to her capacity to rule. She asked Filipinos not to sign up in a campaign that calls for the establishment of a "new moral order."

Mass for miners

Priests were forced to say Mass by megaphone for weary miners under the close scrutiny of police who refused to let the clergymen into the striking July Manifesto coal mine. Page 14

Burmese plan strike

Truckloads of soldiers stood watch as up to 2,000 demonstrators in Burma's capital rallied support for a planned nationwide strike to demand an end to one-party rule. The strike, called for today, is seen as the first real test for Maung Maung, who became president last Friday. Page 3

Car bomb in Beirut

A car bomb exploded near a Syrian Army checkpoint in the Raouche district of west Beirut, wounding 18 people and damaging buildings.

Al Aqsa casualties

Six Arabs were shot by soldiers and three Israeli civilians were hurt as Palestinians staged a strike to mark the 19th anniversary of an arson fire that ravaged the Al Aqsa mosque in Jerusalem.

Basque bombing

A car bomb explosion believed set off by Basque separatists killed two civil guards as they were on duty in a patrol car in the Navarre town of Estella.

Taiwan softens view

The Taiwanese government plans further easing of travel restrictions to China and will allow native Taiwanese and low-ranking civil servants to visit the Communist mainland.

Housing segregation

The South Africa government plans to push ahead with tough measures to strengthen residential segregation, despite critics who say the proposals are "straight out of the darkest ages of apartheid."

Burundi massacres

Refugees fleeing tribal massacres in Burundi gave gruesome accounts of the slaughter and suggesting that thousands of people had been killed. The United Nations High Commissioner for Refugees said over 30,000 people had fled into Rwanda. Page 3

Mammoth find

A 33,000-year-old leg of a mammoth, complete with hair and toenails has been found in the ground near the town of Magadan in the Soviet Far East. The section of leg from the thigh to the ankle weighs 100 kilogrammes and is the best preserved find of recent years.

Business Summary

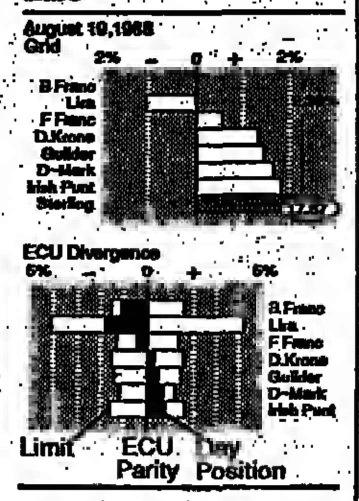
US court reverses ruling on insurers

US INSURERS have won a nine-year struggle to overturn a landmark legal ruling which allowed accident victims to sue insurance companies for damages caused by the emotional distress of waiting for a claim to be paid.

The California Supreme Court decided to reverse its 1979 decision in the Royal Globe case which, insurers alleged, had been responsible for escalating claims and costly litigation. Page 14

EUROPEAN Monetary System: Weakness of the D-Mark against the dollar and yen kept attention away from the EMS, and helped ease downward pressure on the French franc. The Bank of Italy bought D-Marks at an attractive rate to boost reserves, but the system was very quiet and stable.

EMS



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

UNISYS, American computer company, has divested in South Africa and sold its wholly-owned subsidiary to Mercedes Datakor, a local computer services company, for R132m (£31m). Page 3

ELDERS IXL, Australian brewing, finance, agribusiness and resources conglomerate, says its associate Avilock has mandated Bankers Trust Australia to place an issue of option bonds and bonds to raise US$260m. Page 17

GOODYEAR Tire & Rubber has held preliminary discussions with several companies about the sale of its All American oil pipeline, which could raise around $1.3bn. Page 17

INTERNATIO-MUELLER, Dutch diversified industrial conglomerate, saw earnings climb 29 per cent to Fl 14.3m ($6.7m) in the first half from Fl 11.1m a year earlier. Page 17

VESTA, Norway's troubled insurance group, saw an improvement in the first half, posting an operating profit of NKr11.8m ($1.7m) compared with losses of NKr368.9m in the same period last year. Page 17

BOND Corporation International, Hong Kong listed subsidiary of Mr Alan Bond's business empire, reported attributable profits of HK$525.1m ($67.3m) for the first six months following the disposal of the company's residential property portfolio on Hong Kong island. Page 17

ASSOCIATION of Swiss Stock Exchanges is introducing a new index this month. The Swiss Market Index (SMI) will act as a basis for trading in index contracts and is based on the quotations for 24 bearer shares and participation certificates of 20 Swiss companies in continuous trading on the Zurich, Geneva and Basle bourses. Page 18

BRITAIN runs the risk of being left behind in the race to secure European markets in the post-1992 single European market, according to an economic review by a UK securities house. Page 7

UK DEPARTMENT of Trade and Industry has broken ground by providing financial support for a project which could boost the development of marginal North Sea oilfields. Page 6

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THE MONDAY INTERVIEW

Sir Nigel Broackes, chairman of Trafalgar House, UK property and construction group, is enthusiastic about future prospects for the industry and sees years of unparalled activity ahead
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OVERSEAS NEWS

Pro-Dubcek crowd broken up in Moscow

By John Lloyd in Moscow

POLICE SEALED off, then ended, a demonstration by the Democratic Union group - the only group in the Soviet Union to call publicly for a multi-party democracy - in Moscow's Pushkin Square yesterday.

Some members of the group were arrested. On the 20th anniversary of the Soviet intervention in Czechoslovakia, they had gone ahead with a demonstration, banned by the city council, in support of the Dubcek reforms.

The demonstration started at 4pm and was snuffed out by 4.20. Rings of militia kept onlookers and journalists away from the speakers, though several hundred, who had gathered before the speeches began, were allowed to stay within the police cordon.

Passing Muscovites debated vigorously. One middle-aged man vehemently denounced the Democratic Union as "ideological prostitutes". Another man, younger and a student, said he was in support of their cause and against his country's intervention to Czechoslovakia.

The rally, held in bright sunshine, passed without violent incident. The issue of Czechoslovakia, regarded by some as a key test of the present Soviet project of openness especially as this touches the past, is not one the leaders have chosen for revision.

A commentary on Tass, the official Soviet news agency, at the weekend used anti-western language which has become almost old-fashioned: "When, in 1968, the anti-socialist forces, taking advantage of political irresponsibility and opportunism by leaders of the Communist Party of Czechoslovakia at that time, made an attempt to tear Czechoslovakia away from the socialist community, the friends and allies of Czechoslovakia could not remain indifferent."

This commentary was bolstered by a ferocious attack in Vechernaya Moscow, the city's evening paper, on the Democratic Union. This called for the arrest of the leaders of the group before the illegal demonstration, quoting the group as saying that its aim was to "change the social structure of the soviet union". The paper said such a change would "essentially be to capitalism".

Diplomatic and Soviet sources in Moscow point out that for the Soviet Union to condemn the invasion retrospectively would be an implicit criticism of the present Czechoslovakian government, which came to power as a pro-Soviet, anti-reform one.

Such a departure is also seen as unwise at a time of unrest in Poland, Hungary and Romania, and of strong national feeling in Soviet republics. Police in Yerevan, the Armenian capital, reported at the weekend another demonstration, on Friday night, over the status of the mainly Armenian enclave of Nagorno Karabakh in Aberzaijan.

Police break up Prague Spring rally

SEVERAL hundred people booed and whistled police who hustled away three people from Prague's Wenceslas Square on Sunday during a rally to mark the Soviet-led invasion of Czechoslovakia 20 years ago, Reuter reports.

One of the three was an elderly woman. In another incident, shouts of "Shame, shame" and "Gestapo" rose from the crowd when police dragged away a youth wearing a pendant in the national colours of red, blue and white around his neck.

But police apparently abandoned an effort to seize another man. Supporters surrounded him in the square where Warsaw Pact tanks assembled on August 21, 1968 after entering the country to crush the "Prague Spring" reformist movement.

Two activists in the Charter 77 human rights movement tried to lay flowers at the base of a statue of Saint Wenceslas by throwing them over the heads of police ringing the monument. But the police swiftly took the blooms away from the statue of the king mounted on a horse, where some of the dozens of people killed during the invasion met their deaths. The two, Ms Eva Kanturkova and Mr Tomas Hradilek, were applauded by the crowd which they then led in the singing of the national anthem.

On Saturday, police detained the three spokesmen of Charter 77 when they sought to deliver a statement to the Soviet embassy.

More than half a million Warsaw Pact troops invaded Czechoslovakia on the night of August 20, to end the attempt by Mr Alexander Dubcek, then Communist Party chief, to "give socialism a human face".

Iran and Iraq row over ceasefire

By Tony Walker in Nicosia

Maj-Gen Slavko Jovic: Gulf ceasefire holding

THE GULF War ceasefire at the weekend was greeted rapturously on the streets of Iraqi cities, but acrimonious exchanges continued between Iran and Iraq. This suggests that the scars of eight years of bloody conflict, in which an estimated 1m people died, will not quickly fade and that peace talks to begin this month will prove difficult.

The bitter enemies traded accusations and denials over violations of the United Nations-sponsored ceasefire which came into effect soon after dawn on Saturday on the 1,200km Gulf War battlefront.

Within hours, Iraq had accused Iran of breaking the ceasefire. The Iraqis claimed that an Iranian sniper killed one of their soldiers on the central front east of Baghdad.

Iran denied the accusation. The government was quoted by IRNA, the Iranian newsagency monitored in Nicosia, as saying that "not even a single bullet has been fired on Iraqi positions."

Baghdad also complained about Iranian harrassment of one of its merchant ships entering the Gulf through the Strait of Hormuz. Iranian helicopters and warships inspected the vessel - which sailed into the Gulf early on Saturday - before allowing it to proceed.

Maj Gen Slavko Jovic, commander of the 350-man UN observer force, expressed satisfaction with the implementation of the ceasefire. "I am most happy to inform you the ceasefire is in operation on both sides," he said.

Iran and Iraq continue to engage in a propaganda battle as the two sides prepared for face-to-face negotiations in Geneva next Thursday.

Western observers expect these negotiations to be long and arduous because of the complexity of the issues involved and the residue of bitterness between the two countries.

There is little prospect of quick agreement on the two most contentious issues – the question of where to draw the international boundary in the south, and who was to blame for starting the war.

President Ali Khamenei late last week repeated Iran's demand that Iraq be branded the aggressor. Iraq has said its decision to invade Iran in September, 1980 was in response to repeated Iranian provocations.

A big row is looming over the border between the two countries. Iran is insisting that an agreement negotiated in 1975 by the late Shah and President Saddam Hussein of Iraq be adhered to.

That agreement moved the border to the middle of the Shatt al-Arab waterway, which divides the two countries in the South, from the Iranian or east bank. Iraq's leader, even though he himself was party to the so-called Algiers agreement, tore it up at the onset of the war in September, 1980.

Iraq wants the boundary returned to the Iranian bank. The Shatt al-Arab is a vital artery to the Gulf for largely landlocked Iraq, and its closure for most of the war was a severe blow to Iraqi communications.

Other issues to be mediated include an exchange of prisoners. Iran is holding about 50,000 Iraqi prisoners of war, and Iraq is said to have captured about 30,000 Iranians.

In Iraq, citizens continued their ceasefire celebrations which began on August 8 when Mr Javier Perez de Cuellar, the UN Secretary General, announced the truce date of August 20. President Hussein awarded a holiday today to his people to mark the ceasefire. Observers reported jubilation in most Iraqi cities and towns.

In Iran the mood was reportedly more sombre. Ayatollah Ruhollah Khomeini, Iran's spiritual leader, has said the decision to agree to a ceasefire was like taking poison. Prime Minister Hossein Mousavi set the tone for the Iranian reaction when he was quoted by the official Iranian news agency as saying that the ceasefire did not mean an end to enemy plots against Iran's Islamic revolution.

Mr Mousavi's remarks echoed those made on Friday by Ali Akbar Hashemi Rafsanjani, Iran's military chief, who warned of possible further conflict, and said his country would take the opportunity of the ceasefire to rebuild its armed forces.

Both sides are now turning their attention to post-war reconstruction. Initial efforts are expected to focus on rebuilding oil export facilities. Iran and Iraq need maximum oil revenues to fund their reconstruction programmes.

Mr Issam Abdul-Rahim al Chalaby, Iraq's Oil Minister, said at the weekend that one of his country's first priorities was to re-open its deep-water oil terminals at the head of the Gulf. These were put out of action early in the war, forcing the Iraqis to build new pipelines overland through Saudi Arabia and upgrade an existing one through Turkey.

Iraq was also forced to ship oil by road tanker through Jordan to earn foreign exchange to fund its war effort.

Another Iraqi priority is to reopen the Shatt al-Arab, part of which was mined. The waterway, on which is located Basra, Iraq's second city, is also silted up. It is expected to take about 12 months to clear.

Iran says its Kharg Island oil terminal in the northern Gulf is operating normally. Mr Gholamreza Aqazadeh, the Oil Minister, said Iran had recently opened a new terminal near Kharg which has an export capacity of 2m barrels a day.

New Caledonian accord given broad welcome

By Ian Davidson in Paris

FINAL AGREEMENT on the terms of a new political regime for New Caledonia, the French territory in the western Pacific, was reached at the weekend by the French government and delegations from the two main ethnic communities of the archipelago. It will be submitted to a national referendum in France during the autumn.

The text is based on the broad principles of the outline agreement negotiated personally in June by Mr Michel Rocard, the Prime Minister, and promises a referendum in the territory on the issue of independence from France, to be held 10 years hence.

However, the final agreement, hammered out in a week of tripartite negotiations by the pro-French RPCR party, the pro-independence Melanesian FLNKS party and the French government, adds certain minor concessions to the Melanesian community.

Even so, the agreement was described as a "victory for New Caledonia" by leaders of both territorial delegations, and welcomed all along the French political spectrum, except by the extreme right-wing National Front.

The main new concession to the Melanesian community is a conditional enlargement of the promised amnesty for crimes committed in the cause of independence. The amnesty would not apply to those accused of murder, a category that includes about 80 Melanesian militants, but the government has implied that there could be an extensive pardon, if peace returns to New Caledonia, and Mr Jean-Marie Tjibaou, leader of the Melanesian delegation, has predicted that all militant prisoners could be home by Christmas.

Also, the new federal arrangements for local government are intended to rectify past discrimination against the Melanesian community.

The 1989 French budget will include FF300m (£27.5m) for the development of New Caledonia.

Hungary calls Romanian farm plans 'idiotic'

By Judy Dempsey in Vienna

SENIOR HUNGARIAN officials at the weekend described Romania's plan to destroy several thousand ethnic Hungarian villages as "idiotic", and appealed to "civilised nations" to prevent the "bulldozing" of ancient traditions. This was one of the most outspoken criticisms of one Warsaw Pact country by another.

Mr Imre Pozsgay, a Politburo member, and Mr Matyas Szuros, a foreign policy expert, spoke during the 950th anniversary of the death of St Istvan, first King of Hungary. The occasion was seen as an opportunity to voice growing official concern about the fate of ethnic minorities abroad.

In language with nationalist overtones, Mr Pozsgay, a consistent defender of the rights of ethnic Hungarians in Romania, described the current agricultural policy of President Nicolae Ceausescu of Romania, as "idiotic".

The Romanian authorities propose to raze more than 7,000 villages under a plan to make more land available for cultivation. This is to involve the destruction of churches, cemeteries, houses and schools. The inhabitants will be moved to concrete apartment blocks.

Mr Szuros, a proponent of ethnic and minority rights, said the plan means that besides old Romanian villages, ethnic Hungarian, German, Serbian and Jewish settlements will be destroyed.

Bucharest seemed no longer interested in discussing what amounts to a long-running dispute between two Warsaw Pact countries and which threatens to move beyond the domestic and political sphere, he declared.

The dispute has brought to the surface, in recent years, latent nationalist feelings in Hungary.

In a rare admission, Mr Szuros criticised previous policies of the Hungarian authorities, who had suppressed the problem of the Hungarian ethnic minority in neighbouring Romania

Rumasa maverick grabs the headlines

A financial folk-hero is embarrassing his old foe, Tom Burns writes

THE SECLUDED luxury villa that the former socialist economy minister Mr Miguel Boyer has rented for the summer in Marbella is being buzzed every so often by a light aircraft that circles the property trailing behind it a streaming banner that bears the legend Rumasa.

That is one stunt engineered by the mercurial Spanish financier Mr Jose Maria Ruiz Mateos to hold the headlines during the summer's dearth of news. Now the one-time folk hero of Spanish capitalism has gone one better by illegally leaving the country and sending a photograph of himself posing by the shrine of the Virgin of Fatima in Portugal to Spain's national news agency.

Mr Ruiz Mateos has been waging a very public vendetta against Mr Boyer ever since the latter, as minister, ordered in 1983 the expropriation of his huge Rumasa empire, a many-tentacled holding company, on the grounds that it was teetering towards a bankruptcy that could endanger the entire financial system.

Miguel Boyer: 'buzzed'

Jose Ruiz Mateos: mercurial

The purpose of the Fatima photograph was two-fold. In an accompanying statement, Mr Ruiz Mateos used the religious backdrop to accuse former associates of the Roman Catholic organisation Opus Dei of financial skulduggery that led to his downfall. He also, by visibly pointing out that he was in Portugal, informed the authorities that he would not return to Spain until a date was set for a long-awaited trial in which he will face a variety of fraud-connected charges.

Having requested Interpol to locate Mr Ruiz Mateos, the authorities were yesterday conducting an inquiry to establish how it was that he managed to pass police controls in Madrid to board a flight to Lisbon using his ID card – his passport was withdrawn when he was extradited from West Germany to Spain at the end of 1985.

The newspaper El Pais tartly observed that Mr Ruiz Mateos had said he would "never leave Spain" two years ago when he was released on bail from a maximum security prison. Rumasa's founder and former chairman had added: "I played the fool once and I'm not going to do so again."

In the wake of his company's expropriation, Mr Ruiz Mateos had himself smuggled out of Spain in the boot of a car, then proceeded to regale the Spanish press with histrionic accusations that involved dozens of people in public life and very especially, prominent bankers who, like himself, were members of Opus Dei.

Unless a trial date is quickly set, and presuming that Mr Ruiz Mateos sticks this time to his words, Spain's legal authorities could be in for another long extradition wrangle. The maverick tycoon, for his part, appears determined to remain in the news.

As for the Rumasa legend that Mr Ruiz Mateos built up in the 1970s and which is now disturbing Mr Boyer's siestas, it is a fast-receding memory.

Fed board 'split on monetary policy'

By Janet Bush in New York

THE US Federal Reserve Board voted by a majority of eight to three to tighten monetary policy in late June, according to June minutes of the Federal Open Market Committee meeting, published late on Friday.

The three dissenting Federal Reserve governors argued that the central bank was moving too quickly to block inflationary pressures in the economy.

Within the majority of governors who favoured another slight tightening in policy was a faction wanting more substantial action, including an increase in the discount rate.

The hawks eventually gained ground, as shown by the unanimous decision to raise the discount rate to 6.5 per cent from 6 per cent on August 9.

The FOMC met again last Tuesday but the minutes of that meeting will not be released until September 23.

The minutes of the June meeting confirm that the Fed tightened credit conditions twice after its May meeting. There have been five moves to restrict credit this year: in late March, twice in May, in late June and after the June meeting of the FOMC.

The minutes show the Fed's governors concentrating on the outlook for inflation and expressed concern that rising import prices were contributing to inflationary pressures.

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OVERSEAS NEWS

Hawke dampens hopes for early tax reductions

By Chris Sherwell in Sydney

AUSTRALIANS will see no personal tax cuts before next July, despite the Federal Government's exceptionally swollen budget surplus.

This was confirmed yesterday by Mr Bob Hawke, the Prime Minister, ahead of tomorrow's budget. He pledged that the promised cuts would materialise in the next financial year, but said no decision had been taken about their scale.

Mr Hawke's remarks, made in a television interview, were significant because the Government's surplus in the current financial year is forecast at between A$5bn-7bn (£2.35bn-£3.29bn), and most Australian workers have suffered real pay cuts in the five years since the Labor party came to power.

Mr Hawke refused to be drawn on the size of the surplus. "When we've still got a significant external problem – large external debt, current account deficit – ordinary Australians know we've got to be careful about running up high import bills," he said.

"Demand is running strongly at the moment, and if we were to significantly increase the level of demand. . . it would be dangerous."

He dismissed opposition suggestions that he was delaying personal tax cuts in order to use them as a "bribe" before the next election, due in 1990. He also rejected the idea that Labor was ignoring its traditional base of support, saying the budget would contain "targeted" improvements in welfare.

On the large gap between the 39 per cent rate of corporate tax and the top marginal rate of personal tax of 49 per cent, which cuts in at relatively modest salary levels, Mr Hawke acknowledged that this could not continue for long. But his remarks confirm it will continue for this year.

The Prime Minister also used yesterday's wide-ranging interview to intervene in the sharpening domestic debate on Asian immigration to Australia, which has recently convulsed the opposition Liberal and National parties.

Leaders of both parties, which are finalising their immigration policy, have both hinted that they might slow down the rate of Asian immigration in order to preserve "social cohesion".

Mr Hawke said yesterday a discriminatory immigration policy would be "morally repugnant and economically insane", and said be would have nothing to do with such a plan.

US sale carries sanctions shield for SA company

By Jim Jones in Johannesburg

UNISYS, the American computer company, has divested in South Africa and sold its wholly-owned subsidiary to Mercedes Datakor, a local computer services company, for R132m (£31m).

However, the full amount will not be paid if Unisys stops supplying its products and technical support to South Africa.

The Unisys deal is thus the first in which South African buyers have sought financial protection from the threat of sanctions. Mr Nic Frangos, Datakor chairman, said yesterday: "We are in an uncertain world. The trust account recognises the fact that the company is worth less if products and technical know-how cease to be available."

Unisys has agreed to provide Datakor with products and technical support for at least 10 years.

The US parent will receive an immediate R82m cash payment for its subsidiary, which has a R300m turnover. A further R50m will be placed in trust in Europe and paid to Unisys in 20 equal quarterly instalments, on condition the parent continues to supply the South African company.

Zia attracts the crowds at his funeral

By Christina Lamb in Islamabad

ONLY IN death could President Mohammad Zia ul-Haq of Pakistan bring onto the streets the large crowds his great political rival, Ms Benazir Bhutto, has attracted. Hundreds of thousands of people turned out to give him a hero's send-off at his funeral on Saturday.

The crowds thronging Islamabad on a sunny afternoon could easily have been mistaken for people celebrating a holiday. Local women were forced by convention to stay at home while men seemed to enjoy a day out in a country starved of entertainment.

The most moving moment came when, shortly after lunchtime prayers, the coffin was brought out from the presidential building. Zia's sons, closest associates and staffs surged forward weeping as they tried to touch the coffin, which was draped in the country'a flag and strewn with roses and tinsel.

Despite growing conviction that the president was assassinated by plotters, and murmurs about a further attack, security was remarkably lax.

The president was buried on the lawn outside Pakistan'a Faisal Mosqne, which resembles a spaceship. As the coffin containing only his jaw (nothing else of him could be found) was lowered into the grave, a 21-gun salute sounded.

Zia's family were the first to lay wreaths, followed by the heads of the armed forces, then the numerous foreign dignitaries, led by President Ershad of Bangladesh. The foreign delegations had held up better in the sweltering heat than some army personnel who fainted and had to be carried off.

Sir Geoffrey Howe, British Foreign Secretary, and Mr George Shultz, US Secretary of State, talked with officials about Afghan policy. India, anxious to dispel rumours that it had instigated the attack, sent its largest ever delegation to Pakistan.

After all the spectacle of the funeral, a day later the burial site was deserted. It remains to be seen whether the legacies of the era which has been laid to rest with the president will be forsaken as quickly.

Pakistan leader emerges from the shadows

The new president is determined to abide by the constitution, David Housego writes

IF THERE were any illusions that Pakistan's new president would be content to remain in the shadows, they were rapidly dispelled by his handling of his first encounter with visiting foreign leaders and the world's press in Islamabad at the weekend.

Ghulam Ishaq Khan's message was that he would be his own master and that he was committed to putting civilian government back on the rails with elections in November. He even came close to saying that candidates would be allowed to run on party labels even though President Zia ul-Haq had ruled this out.

With his thick spectacles and balding dome, Ishaq Khan has the stern look of a judge. In practice, he has had more experience of government than probably any other man in Pakistan. A senior civil servant under President Ayub in the 1960s, he was first Secretary for Finance, then Defence, under Prime Minister Zulfiqar Ali Bhutto. He has also been head of the central bank, and most recently president of the Senate.

As in his statements since assuming power, he has always made clear that his first priority was to abide by the constitution. He is "a man who will rule by the book," says a former minister – a quality greeted with relief in a country that has too often seen its army and politicians disregard it.

In sharp contrast to President Zia's practice of having senior generals present at his press conferences, President Ishaq Khan spoke with only a handful of civilian advisers at his side.

He minimised the army'a role in government, saying: "The armed forces have no role to play in a general election except to maintain law and order." Noticeably he did not use President Zia's phrase that the army's mission is to defend the "ideological frontiers" of the country.

Some of the country's senior army command fear free elections could unleash Pakistan's latent divisions, but the new president is emphasising that polls are necessary for stability. He tells the generals that at the very worst, the army still has tha power to step in at a later date.

Ishaq Khan: his own master

Before taking over as president he had the reputation of an experienced bureaucrat, dry and sparing with his words, who always inspired the confidence of his superiors.

A master of writing ministerial briefs, his survival through so many regimes was a reflection of his competence and his discretion. "No secrets ever escape his lips," said a former colleague.

His reputation as a loyal servant lay behind the belief that he would not know how to assert himself or hold his own against tbe army when in power.

But if this belief has now somewbat diminisbed, fears remain that he is not a man to provide fresh leadership. "His limitation is that he is a man witbout ideas," said another minister.

At the press conference, the President's answers to qnestions were brief and to the point – in contrast to the style of both President Zia and Mr Bhutto before him. He seized the occasion of the presence of the international press to project both himself and his views.

He distanced himself from President Zia's decision tbat candidates at tbe election would not be able to fight under a party label. "I do not know of any categorical statement by President Zia that the polls would be held on a non-party basis."

Implying that he would support party-based elections, the President said be will abide by the Supreme Court's ruling on the issue.

He sought to remove impressions in Pakistan that the government believed India was behind the explosion tbat caused President Zia's death.

He warmly thanked Mr Rajiv Gandhi, India's Prime Minister, for his gesture in cancelling his official birthday celebrations as a token of mourning for the former president.

He sought as well to allay speculation about his own political ambitions. Once elections to the national and provincial assemblies bad taken place and a new electoral college established which could choose a president, a new presidential election would follow in 30 days.

As a former finance minister with close links to the International Monetary Fund and World Bank, the President is expected to follow conservative financial policies. He is also likely to be well received by the Pakistani business community.

Fuji to open its first overseas film plant

FUJI Photo Film, the top Japanese photographic film group, is setting up its first overseas film plant, in the Netherlands, Ian Rodger reports from Tokyo.

Fuji is investing Y10bn (£44m) at an existing factory at Tilbulk, to start film production there. Fuji said it was aiming to improve service to European customers and avoid trade friction.

The company has been stepping up its competition with the long-time world leader, Eastman Kodak of the US, in many markets.

Timor plea

European parliamentarians urged Indonesia to withdraw its troops from East Timor and called for an international committee to find a political solution for the disputed former Portuguese colony, John Murray Brown writes from Jakarta. The call came in a draft report after a visit to the territory last week by four MEPs.

GENERAL STRIKE CALLED FOR TODAY

Uneasy calm grips Rangoon

By Richard Gourlay in Bangkok

AN uneasy, rumour-filled calm gripped Rangoon ahead of a general strike proposed for today in protest at the Burma Socialist Programme Party's appointment of U Maung Maung as the country'a new leader, Rangoon-based diplomats said yesterday.

Thousands of monks and students gathered peacefully ontside the Rangoon general hospital calling for an end to 26 years of one-party socialist rule, bnt army trucks and armoured cars maintained a presence on the streets.

Diplomats said there was no way of telling whether the strike call would lead to the kind of mass nationwide protest which on August 8 triggered four days of brutal army suppression and finally the resignation of President U Sein Lwin.

Burmese exiles said the students retain the support of Burma's middle classes, and in particular the respected doctors' and lawyers' associations. They said the disarray in Party ranks gave the country a "once in a generation" opportunity to change the political system.

U Maung Maung, a highly qualified lawyer and former Attorney-General, was chosen by the Party last Friday as the country's first civilian Party chairman and President.

He is widely viewed as a long-time ally of U Ne Win – Burma's leader since a coup in 1962 until he resigned last month – wbose antocratic control of the Party and the army has not allowed any independence of thought.

The feeling among diplomats and Burmese in Rangoon is that if anyone can put the lid back on weeks of civilian rebellion, U Maung Maung is the man, as be is well educated and has a more pacific nature than either U Ne Win or Sein Lwin.

However, people appear to be demanding the removal of the one-party system and what is seen as U Ne Win's invisible hand behind the scenes, and may not be content with another Party appointment.

Last week, the Party was stressing the economic proposals it plans to implement which include plans to allow foreign joint ventures witb State, co-operative and private companies in certain fields.

More immediately, the release of some government-controlled rice has eased the pressure on prices which added to public dissent earlier this month.

The small political concessions mentioned by the party last week appear to be of limited value. Promised elections of non-party members to the Pyithn Hlutaw (Parliament) will probably lead to few changes.

Equally, the Commission which U Maung Maung set up to report to parliament in October on the "people's desires and aspirations and attitudes towards the political and economic situation" was dismissed by one diplomat as "irrelevant".

'Thousands die' in Burundi massacres

REFUGEES fleeing tribal massacres in Burundi yesterday gave gruesome accounts of the slaughter and suggested tbousands bad been killed, Renter reports from Bntare, Rwanda.

Tbe United Nations High Commissioner for Refugees (UNHCR) said at least 30,000 people had fled across the border into Rwanda.

"Those who fled may be less numerous tban tbose wbo died," one woman survivor said.

No one knows for certain bow many died in the fighting between tbe politically-dominant Tutsi tribe, and their Hutu rivals who form 85 per cent of Burundi's 5m population but are effectively excluded from political power.

People on the border said they had lost count of the battered bodies floating down the Akanyaru River.

More shooting was heard in border towns during the night. Refugees, most of them Hutu, were still arriving at the rate of 5,000 a day.

OVERSEAS NEWS

Sudanese giant suffers crisis of confidence

Regional tensions and a weak infrastructure are no basis on which to tackle an overnight disaster, writes Julian Ozanne

THE Government is fiddling as Sudan burns. This headline in a Sudanese newspaper last week summarised one view of the growing crisis of confidence in a government overwhelmed by disasters almost biblical in their scope and impact.

Floods and drought, locusts and war – as well as a crippling $12bn (£7bn) external debt, the modern African burden – have left the continent's largest state a debilitated and perhaps unmanageable giant.

It may be unfair to expect the hard-pressed authorities to switch overnight from dealing with drought to responding to catastrophic floods which have left more than 1.5m people homeless.

However, the failure of the Government of Mr Sadiq el Mahdi, the Prime Minister, to cope with the formidable problems inherited from the ousted military regime of President Jafaar Nimeiri, had already undermined confidence.

A fragile coalition of sectarian political parties, regional tensions, an acute shortage of skilled personnel and a weak infrastructure are no basis from which to tackle an overnight disaster, or the serious longer-term problems that the Government has to resolve – an economic crisis and a civil war.

For many of those involved in the relief operation, drawing both on the efforts of international agencies and government departments, the past two weeks have been gruelling as they have sought to cope with a calamity made worse by an inefficient response.

The donors share some of the blame. Consignments of fresh meat and vegetables rot overnight in the 90 F heat. Tents have been provided instead of scores of thousands of mud huts that have been washed away, but some are not waterproof, or are too small, while cheaper and lighter plastic sheeting could provide a quicker makeshift alternative.

Even so, the Government – or rather the army, which has effectively been in charge of relief efforts – has failed to co-ordinate the distribution of supplies arriving daily on dozens of relief flights from around the world.

"This Government is incapable of dealing with minor problems in times of normality, never mind a crisis of this magnitude," said one foreign aid worker.

Some of the aid mysteriously appears on the black market or does not reach some of those most in need – the 500,000 or more refugees from the war in southern Sudan, who have been living in shanty settlements around Khartoum. The allegation, denied by Government, is that northerners have precedence over these displaced southerners.

Meanwhila, the already weak infrastructure – in a country of about 1m square miles, there are about 1,000 miles of tarred road - has been hit by the floods. The railways are now unable to supply the capital with reliable supplies of food, or with fuel to run the power stations.

Power cuts were already frequent, with a devastating impact on industry, and telephones were unreliable. The downpour made things markedly worse.

The present mood, in which shock is giving way to despair or resignation, is a far cry from the near-euphoria that marked the overthrow of President Nimeiri in April 1985.

His greatest achievement *had been to end in 1972 a* 17-year war waged by guerrillas of the Southern Sudan Liberation Movement, seeking independence of the south. Under what was termed the Addis Ababa agreement, the south was given its own regional government and parliament.

Yet it was Mr Nimieri himself who undermined it, introducing in 1983 a strict form of Islamic *sharia* law, which provided for amputation of offenders' limbs, whila eroding the special status of the non-Islamic south. The resurgence of the civil war, this time led by Mr John Garang's Sudan People's Liberation Army, was inevitable.

The Nimeiri economic legacy was also disastrous. An unserviceable external debt had been run up by borrowing abroad to finance ill-planned, grandiose state projects.

As the war was intensified, so ended hopes for two projects in the south that would be vital to an economic revival – exploitation of oil finds, and the *completion of the Jonglei* canal, designed to tap the waters of the Nile for irrigation and thus help fulfil the country's agricultural potential.

Although some of the euphoria had abated when Mr Sadiq *el Mahdi's Umma* party won the election held a year later, there were still hopes that the Oxford-educated prime minister might end the war that was crippling Sudan.

Sudanese democracy had its own problems, however. Political allegiance in the country fails to transcend religious and tribal loyalty. No single party has a truly national base to gain a strong working majority.

The Umma party, led by the Mahdi family and based on the Ansar religious sect, won just less than a third of the 301 seats in the National Assembly. The Democratic Unionist Party (DUP), led by the Mirghani family and drawing its support from the Khatmiya sect, won only 63 seats. The only other significant party, the National Islamic Front (NIF), won 51 seats – a clear indicator of the strength of Moslem fundamentalism in Sudan.

A shaky coalition, formed by Umma, the DUP and a handful of MPs from the south, was undermined by continual cabinet splits, personality conflicts and inter-party squabbling.

The coalition had to be reformed in May and the NIF brought in to share power - much to the chagrin of many Umma MPs from western Sudan. The leader of the NIF, Dr Hassan Abdulah el Turabi, was given the important cabinet post of attorney-general, with the remit to draft a new version of *sharia* law.

Yet if *sharia* were introduced making peace with the south *would evaporate, for the secu*larisation of Sudan is one of the conditions set by the southern rebels for peace talks.

The war, now in its fifth year, has split the country in two, sending 500,000 refugees to the comparative safety of Khartoum and another 300,000 across the border into Ethiopia. Meanwhile, the government's conduct of the war has come under increasing criticism from western donors, soma of whom accuse the army and government-backed tribal militias of brutality in their treatment of civilians.

The weakness of the political structure is mirrored in the civil service. Ministries are ill-equipped and lack efficient and well-trained personnel. Many of the most qualified Sudanese have emigrated to Kuwait and Saudi Arabia – almost 500,000 engineers, doctors, agriculturalists and teachers – in search of better pay and conditions.

On the private economic front, the picture is no more encouraging. Businessmen complain about the lack of spare parts and soaring inflation, contract negotiations with the cumbersome government machine are slow and arduous, and corruption is widespread.

No one believes that an economic recovery can take place without substantial outside assistance, including debt relief on highly concessionary terms.

Yet this would be conditional on an agreement with the International Monetary Fund. This seems out of reach, if only because no government in Sudan's current plight could meet the IMF's terms – budget controls, cuts in subsidies, a substantial devaluation – without provoking the wrath of the country's hard-pressed 21m people.

"The government may be in the unenviable position that to reform means political suicide, and not to reform means economic collapse," one Western diplomat put it.

The government has attempted to reach agreement, as recently as late-July, when a ministerial delegation visited Washington but the talks broke down. The fund's call for a devaluation and cuts in consumer subsidies proved the main obstacles.

It is a bleak picture: the war is costing an estimated $2m a day, aid flows are slackening, annual exports stagnant at $500m and imports running at $1.5bn, leaving a gap only partly filled by $500m-600m worth of remittances from Sudanese working abroad.

The combination of a weak and divided civilian administration with the need for efficient handling of the interlocking crises of war, religious tensions and economic decline, has led almost inevitably to rumours of an army takeover. This can never be ruled out – yet the military may choose to stay in the background, for sound reasons.

"At the moment, the army will not step in becaue the problems are so complicated," says Mr El Tigani Al Tayeb Ibrahim, Finance Minister. "They don't have the expertise to deal with them. Also, getting themselves into government while they are fighting a major war could risk destroying the already fragile fabric of the country."

A Sudanese doctor checks a young child in a refugee camp near Khartoum on Saturday

Spanish air traffic controllers drop strike

By Tom Burns in Madrid

A SPANISH air traffic controllers' strike, scheduled to start next Saturday, was averted at the weekend by the Madrid Transport Ministry with a large cash handout, but the root problem that caused departures for Costa holidaymakers have still to be solved.

After an all-night negotiating session that ended early on Saturday morning, controllers at Barcelona Airport dropped their strike plans in return for a considerable salary rise that involved high season productivity bonuses and the elimination of glaring wage differentials.

What was not addressed during the talks, however, was the issue of holiday season air traffic congestion which in turn leads to flow control measures that cause departure backlogs. With Spain about to set a tourism record for the fourth year, air traffic to the Costas has increased by 30 per cent according to the controllers and by 10 per cent according to civil aviation authorities.

Under the flow control measures, which are recognised to be necessary to ensure air safety, controllers reduce the number of flights they can handle simultaneously on their screens. The consequent delays for flight clearances have a multiplying and a domino effect for they disrupt the very tight schedules under which airline companies operate during the peak season.

The Spanish controllers, led by the Barcelona militants, have consistently called for a big investment plan to remedy the shortcomings of equipment and of manpower but the weekend negotiations focused solely on wage claims.

According to the deal the lowest paid controllers will have an estimated Pta50,000 (£238) added to their monthly pay packets. The average salary of Spanish controllers is Pta260,000.

A big differential was caused by a so-called military bonus of as much as Pta40,000 a month which was earned by only 106 of Spain's 1,046 controllers. This was paid to controllers who had originally been hired by the Spanish Air Force.

There was a real fear that the package holiday business in Spain would have been irreparably damaged had the controllers carried out their scheduled strike. None the less, departure lounge delays appear inevitable, if not next week then next year, for the increase of air traffic to Spain is outstripping the capacity to control it.

More W Germans avoid military service

THE WEST German Defence Ministry bas admitted that the number of young men opting out of military service increased by nearly 17 per cent in the first six months of 1988, David Goodhart reports from Bonn. And the problem for the military is likely to be exacerbated by last Friday's court decision to include work for the environmental pressure group Greenpeace as an acceptable form of community service.

The sharp rise – to 37,800 – in the number choosing community work as an alternative to military service during the first half of this year comes at an awkward time for the West German military services. They are already facing a shrinkage in manpower and resources as a result of demographic and financial pressure, despite persistent appeals from the US for Europe to take more responsi*bility for its own protection.*

Last year about 70,000 draftees opted for community service and 220,000 for the military. Although the increase in non-military service this year is not welcomed by the Defence Ministry it is not a complete surprise as it is partly cansed by a rush to begin the service period before it is lengthened next year.

Military service is to be increased from 15 to 18 months and non-military service from 18 to 24 months. Despite this, the army is expecting to shrink to 17,400 less than current complement by 1995.

European flight delays 'triple'

By William Dawkins in Brussels

THE NUMBER of European scheduled aircraft flights delayed because of congestion has more than tripled over the past two years, according to the Association of European Airlines.

One in three departures were being delayed because of congestion during June, up from one in 10 in the same month in 1986, says the association's latest six-monthly report.

It underscores the seriousness of the chaos which has hit Europe's creaking air traffic control system this summer and left thousands of charter as well as some scheduled passengers stranded.

The report calls "urgently" for more investment in national air traffic control systems and for a co-ordinated European approach to the problem.

"What has changed is the shortfall between the demand for air transport and the capacity of the existing infrastructure," said Mr Karl-Heinz Neumeister, the association's secretary-general.

"The average passenger on a scheduled flight will not be delayed to the extent that charter passengers have been, as it is a year-round operation which is carefully planned and co-ordinated with the necessary back-up aircraft to reduce the effects of delays. However, the situation is definitely getting worse."

The figures are even more alarming if other reasons for delays – apart from congestion – are included, such as bad weather and the knock-on effect of late incoming flights.

On that basis, just over 22 per cent of European departures were held up for 15 minutes or more in June, double the 11 per cent delayed two years earlier.

Normally, punctuality improves with the weather during the summer. But this year, the number of delays has doubled since January, "due to deficiencies in the infrastructure both at airports and en-route," says the report.

One reason for the chaos is that Europe has too many air traffic control centres with often conflicting equipment; 40 establishments against the 20 used to cover a much larger area of airspace in the US, an association official said.

The association is supporting efforts by the European Parliament to boost the co-ordinating activities of Eurocontrol, the 22-year-old Netherlands based organisation.

However, Britain and France are continuing to refuse to hand Eurocontrol any of the air traffic control duties now being carried out by their own officials.

SHIPPING REPORT

Market picks up sharply

By Kevin Brown, Transport Correspondent

BROKERS reported a significant increase in the level of business in both the tanker and dry cargo markets last week as business began to recover from the summer doldrums.

In the dry cargo sector, the improvement in demand led to an increase in rates in the main grain trades as the key Gulf of Mexico to Japan rate recovered to $20.50, and the *Gulf/Continent* rate rose from a nominal $9.40 at the end of last week to nearer $11.50.

Brokers said the ore and coal trades benefited less from the higher level of inquiries, although rates for timecharter trips and short employment began to move upwards.

In the tanker market, 14 very large crude carriers were reported fixed from the Middle East Gulf for both eastern and western destinations, but rates moved only marginally higher.

E.A. Gibson, the London brokers, said VLCC rates stood at Worldscale 42½ for Singapore, Worldscale 45 for the Red Sea, and Worldscale 40 for western destinations. Increases are expected, however, since only 10 vessels of 2.7m tons deadweight remain available for the current month.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1980=100)

	June '88	May '88	Apr. '88	June '87	% change over previous year
W. Germany	122.6	122.4	122.2	121.3	+1.1
France	171.6	171.1	170.7	167.2	+2.6
Italy	220.8	220.1	219.4	210.5	+4.9
Netherlands	123.3	123.4	123.3	122.2	+0.9
Belgium	146.1	145.9	145.7	144.6	+1.1
United Kingdom	159.5	158.9	158.3	152.4	+4.6
USA	143.3	142.6	142.1	137.8	+4.0
Japan	115.9	116.1	116.0	115.7	+0.2

Source: (except US) Eurostat

TUC leaders to advise expulsion of electricians

By Philip Bassett, Labour Editor

TRADES Union Congress leaders will recommend today that the EETPU electricians' union be fully expelled from the union federation at the body's annual Congress in two weeks.

Expulsion of the union for its refusal to accept TUC findings in two inter-union disputes is recommended in a confidential paper prepared by TUC officials for today's meeting of the TUC's 'inner cabinet', its finance and general purposes committee.

If the recommendation is approved today -as is likely- it will be endorsed by the full TUC General Council on Wednesday and the EETPU's expulsion will be backed by the TUC Congress to take immediate effect. The Congress opens two weeks today in Bournmouth on the south coast.

The TUC's private paper says today's committee should recommend "that the General Council, with considerable regret, consider that they have no option but to recommend to the Congress that they expel the EETPU."

The document says that this step comes "against the background of [tha EETPU's] declaring itself to be unwilling to be bound now or by implication in the future by the same rules which govern all our affiliates."

The TUC says of the EETPU that by refusing to accept two findings of tha TUC's Bridlington inter-union disputes committee "they must be deemed to have of their own volition divorced themselves from the TUC."

While union general secretaries indicated privately yesterday that this recommendation is likely to win wida support, some union leaders will try today to prevent the recommandation that the EETPU's current suspension from the TUC be hardened into full expulsion.

Mr Bill Jordan, president of the AEU engineering union, the EETPU's principal ally, said yesterday he would propose today that the electricians' suspension should be continned because it would give the TUC some control of the affair, and would leave open the option of a full solution.

Left wingers at today's committee will not accept Mr Jordan's suggestion. Some centrist committee mamhers may favour the AEU proposal, but even they and most right wingers believe expulsion to be the only realistic option.

They feel that their delegations to the Congress would not back an extension of suspension, and thet such a tactic would run a high risk of being rejected by delegates in favour of expulsion.

Some TUC leaders said they might have been prepared to take a different line today if there had been any indication from the EETPU that it was softening its position. However, the opposite had hapened. The latest bitter exchange of letters between the TUC and the EETPU, published today, will underline that view.

TUC leaders intend to try as far as possible to limit what they see as the damage to unions which the EETPU's explusion will cause. They will limit discussion of the expulsion at the Congress to only two speakers and holding the event just before lunch on the first day of the Congress.

They believe this will forestall a televised walkout by the EETPU delegation by mixing it in with averyone rising for lunch.

Some union leaders are also working to persuade their delegations to remain silent when the electricians are expelled to try to defuse a charged atmosphere.

Government training plan likely to split Congress

THE Governmant's £1.5bn Employment Training scheme for the long-term adult unemployed, dne to be launched next week, seems certain to divide unions at the forthcoming Congress, writes Our Labour Editor.

Union leaders are likely to meet next week to seek a resolution of the differences expressed in two policy motions and as many as nine amendments on the issue.

TUC leaders will seek to weld the range of views into a common approach which will combine criticism of the scheme with the TUC's conditional support for it.

The structure of the TUC General Council itself also looks likely to be contentious. Three unions are separately seeking to amend a motion which would reduce the number of council seats available to small unions. Right-wingers believe this would lead to a resurgance of the power of the left.

The expected expulsion of the 330,000-strong EETPU would alone wipe out the 256,000 majority by which the present, size-based structure of tha General Council was agreed in 1982.

Ministry gives boost to marginal N.Sea fields

By Steven Butler

THE DEPARTMENT of Trade and Industry has broken ground by providing financial support for a project which could boost the development of marginal North Sea oilfields.

It has issued loan guarantees to Jebsens Drilling, the offshore drilling group, for the conversion of a semi-submersible drilling rig to a floating oil production facility. This removes a big obstacle to development of the Emerald field.

Government support was critical to the scheme which was otherwise considered marginal. It could set an important precedent for other small North Sea oilfields which might developed using similar schemes.

Jebsens, which has been in financial difficulties since the 1986 oil price collapse, plans to convert one of its idle rigs, the Ali Baba, to provide production facilities for the 43m-barrel Emerald field, operated by Sovereign Oil & Gas. The conversion will cost about £150m.

The Government has issued its guarantees under section 10 of the 1973 Industry Act, which has previously been applied only in the case of new shipbuilding.

The support is critical to Jebsens' survival. The group sought to go into liquidation last year but could find no buyers for its drilling rigs.

The guarantees will allow a restructuring plan to proceed in which Midland and Scottish, a privately-owned offshore supply group, will inject £8m into the company in return for a 75 per cent controlling interest. Jebsens shares are at present suspended from trading on the unlisted securities market.

Jebsens plans to shift from being principally a drilling contractor to become Britain's first oil production contractor. Its two other idle rigs may later be converted if the Emerald project succeeds.

A provisional contract to convert the Ali Baba is expected to be announced soon, with Scottish-based groups Davy Offshore and Highlands Fabricators competing for the work.

The project would also require approval from the Department of Energy. This had been considered a formality, dependent on a finance package falling into place.

The department is not expected to to issue a decision until the technical inquiry into the causes of tha Piper Alpha disaster has concluded. The inquiry is expected to issue a report late next month.

Approval of the financial guarantees is good news for Sovereign Oil & Gas, which has pre-sold oil from the Emerald field to Neste, the Finnish state oil company, at a minimum agreed price, with the two sharing benefits of any price rise.

Many employers still fail to comprehend new 16-plus exam

By David Thomas, Education Correspondent

EMPLOYERS still have a patchy understanding of the General Certificate of Secondary Education *examination*, the national exam for those aged 16 and older which was introduced this summer.

The Department of Edncation and Science will try to improve employers' understanding of the exam with a newspaper advertising campaign.

English and Welsh students who sat the exams this summer will learn their results on Thursday.

The GCSE replaced the previous O level and CSE exams with a single qualification for pupils of all abilities. The old system streamed students of higher ability into taking O levels in a range of subjects while other students were guided towards CSEs. A top CSE grade was regarded as equivalent to a pass at O level.

The GCSE also differs from the prevous system in balancing the assessment of pupils between continnous assessment of course work and a final exam.

Many employers have welcomed the greater emphasis on practical skills in the GCSE, but a good number do not understand the new qualification. A recent Institute of Directors survey found that although 198 out of 215 directors had heard of the exam, only 35 (16 per cent) claimed to understand it.

Larger employers express most confidence in their grasp of GCSE. Mr Owen Thomas, personnel director at J Sainsbury, the supermarket chain, said the gronp's head office was fully aware of how GCSE differed from O levels and was briefing its branches. Mr John Nicholls, British Telecom's personnel manager in Severnside, southern England, said that as a large local employer he had been bombarded with leaflets on the GCSE.

There is, however, unease even among some large companies about the amount of information received. Mr Mike Harrison, *personnel director of* Willis Faber, the insurance broker, said companies had not been particularly well briefed. Mr Stuart Carter, a personnel executive with Plessey, the electronics group, agreed: "I think it's fair to say we've probably had to seek information out, rather than wait for it to come onto our table."

Small businesses profess most ignorance of tha new exam. Mr Barry Stock, managing director of a paint and ink intermediaries business in Essex, said he knew nothing about GCSE. Ms Pauline Yeardley, who runs a secretarial agency in Lincoln, said: "I've read about it hroadly, but I have not received anything from any department helping employers with comparisons with previous exams."

Despite its attempt to reach small businesses, the Government ignored leading small business organisations. Mr Stan Mendham, chief executive of the Forum of Private Business, representing more than 11,000 small employers, said his organisation had received no information about the exam.

Mr Mendham believes most of his members know nothing about it and he blames this on the Department of Education and Science's ignorance of bnsiness. "What is a small husiness to them? They wouldn't know a small business if it passed them in the street."

The National Federation of the Self-Employed, which speaks for more than 50,000 husinesses, said the department ignored it until the federation itself asked for leaflets. Similarly, the DES contacted the Institute of Directors about publicising the GCSE only after the institute published its survey.

The DES, accepted that it had not been exhaustive in reaching employers' organisations, but rejected suggestions of sluggishness. Mr Kenneth Baker, Education Secretary, said: "We have made a tremendous effort to tell employers about the GCSE and to explain the new grading structure."

The department last year organised eight regional conferences, reaching 2,000 large and medium-sized companies. It distributed more than 6,000 videos, 14,000 employer information packs and 700,000 small business leaflets. Examining boards, which set the curriculae and examinations, have made similar efforts to reach employers.

The employer organisations chosen by the DES to help distribute information appear to have few complaints. Both the Engineering Employers' Federation and the Association of British Chambers of Commerce praised the department's work in helping them to distribute information.

Mr Alasdair MacLaughlin, Confederation of British Industry director in Northern Ireland, which received its GCSE results last week, echoed these comments, though he added that many employers were still puzzled by the exam. The CBI intends to watch employers' experiences closely in the next few months.

The real test of employer understanding arise after Thursday when school-leavers start approaching prospective employars with their GCSE certificates. For the record, GCSE has seven grades. Grades A-C are designad to have standards at least as high as O level grades A-C and CSE grade 1. GCSE grades D-G will be at least as high as CSE grades 2-5.

NORTHERN IRELAND AFTER THE BOMBING

IRA vows the killing campaign will continue

Kieran Cooke looks at the terrorist stategy which sees every British soldier as a legitimate target

"IT IS very difficult, if you are an IRA volunteer, to attack these people when they are in full armour or wearing flak jackets or in jeeps or on patrol with 50 of their mates — so the IRA ends up attacking them when they are out of uniform and then of course they're criticised for being cowardly ... it's all propaganda."

This is the view of Mr Danny Morrison, publicity director of Sinn Fein, the IRA's political wing.

To the IRA the soldiers killed in the bomb explosion in the early hours of Saturday morning represented an entirely legitimate target. All soldiers, in or out of uniform, are members of an "occupying force."

The IRA knows the British Army will never be defeated. But the formula for victory, according to latest IRA thinking, is a simple one: kill as many British troops as possible.

This will provoke a "troops out" movement on the British mainland which will then force the British government to withdraw its forces from Northern Ireland. The way will then be clear for eventual "national self-determination" in Ireland.

"The armed struggle provides a vital cutting edge," says Mr Gerry Adams, the head of Sinn Fein.

Mr Martin McGuinness, also of Sinn Fein, says: "Violence is the only language the British understand."

In recent weeks the IRA has put its new strategy into effect with devastating results. Servicemen have been murdered in the Netherlands, Belgium and in London. There have been other assassination attempts in West Germany and in Gibraltar.

In Northern Ireland 21 soldiers have been killed so far this year. Of those, 16 were off duty at the time.

A short while ago many people were claiming the IRA had finally been defeated.

In the last 18 months the IRA has lost 18 "volunteers," many of them senior figures in the organisation. These included the three shot by the SAS in Gibraltar.

The organisation had caused several civilian deaths through botched operations. The security forces both north and south of the border had co-operated in an unprecedented search operation which unearthed large quantities of arms.

But the IRA has shown its capacity to reorganise and rejuvenate its deadly range of terrorist skills. Senior figures in the security forces have been warning for some time of the present offences.

Last May the SAS wiped out the entire command structure of the East Tyrone Brigade of the IRA, killing eight people as they tried to attack a rural police station.

Significantly it was the East Tyrone Brigade of the IRA which claimed responsibility for Saturday's sophisticated and devastating attack.

Just as the Army has changed its tactics over the years, so the IRA has altered its structure and strategy. In the early 1970s the Provisional IRA had about 2,000 active members. Today it has less than 100.

These members, organised on a tightly-knit cellular structure, are backed up by about 200 "auxiliaries" who store weapons and explosives to supply to "hit men" when needed.

Below this group are about 2,000 active sympathisers who have "safe houses" and act as tip-offs and general intelligence gatherers.

It was from this last group that word was probably passed down about the arrival of the soldiers on Saturday night and the route of their bus to the barracks at Omagh.

There is part of the IRA that is still amateur, whose members, particularly in rural areas, are engaged in ancient internecine tit-for-tat killings over land.

But the security forces are in no doubt that at the organisation's core there is a highly developed, disciplined and skilled terrorist group.

The IRA has strong international connections, not only with Libya, the source of its present array of weaponry, but also with groups in West Germany, France, Holland and the ETA group in Spain.

Sir John Hermon, head of the RUC, says the IRA has learnt a whole array of techniques for dealing with the security forces.

"They are educated to a high degree in the workings of the legal system and use their knowledge to their advantage. They receive training in interrogation resistance with lectures and practical demonstrations being given to all so-called volunteers."

Sir John says the IRA is helped by a whole body of people who choose to turn a blind eye to what is happening. These might be neighbours or distant relatives fearful of being seen as guilty of betrayal in Northern Ireland's tightly knit society.

"By withholding information from the police ... whilst at the same time expecting protection is untenable and can only result in continuing death and destruction," says Sir John.

The IRA has always insisted it is fighting a war in Northern Ireland. The security forces, on the other hand, are supposed to abide by the civil rules. This means the IRA can snap and bite at the authorities' heels like a daranged terrier, and only be hurt if caught in the act.

Many politicians in Northern Ireland are now calling for more emergency powers to deal with the present situation. Only then, they say, will the terrier be silenced.

Wreckage of the bus hit by an IRA bomb this weekend

Voice of experience flies in for talks on tackling terrorism

By Our Belfast Correspondent

MR KEN MAGINNIS, the Fermanagh-South Tyrone Ulster Unionist MP who flew to Downing Street on Saturday for an emergency meeting with Mrs Thatcher, is well qualified to talk about Northern Ireland's security crisis.

As a former major in the Ulster Defence Regiment, he has expert knowledge and has had practical experience of the difficulties associated with tackling terrorism in the exposed Ulster countryside.

Selective internment of terrorist suspects, a move discussed with the Prime Minister at their London meeting, is just one of a series of measures Mr Maginnis has advocated to help to combat the IRA.

Because of his military background, his views on the security situation command respect, and as the Ulster Unionist Party's security spokesman he has strongly criticised what he sees as the Government's failure to confront terrorism.

Alongside selective internment on both sides of the Irish border, Mr Maginnis would like to see more effective use of security force resources.

The rolling hills of Fermanagh and Tyrone provide a perfect setting for terrorist attacks and the maze of isolated country roads are so dangerous that helicopters provide the only safe transport.

Mr Maginnis has expressed concern about the level of man-hours devoted to helicopter patrols. He also has reservations about the effectiveness of troop deployment.

Throughout his UDR service, Mr Maginnis formed close friendships with many of the regiment's serving officers, and as the local MP he provides a perfect sounding-board for the views of troops on the ground.

He has also been a friend of many soldiers and civilians killed by the IRA and is in close contact with their families.

Mr Maginnis, aged 50, became MP for Fermanagh-South Tyrone in 1983, wresting the seat from Mr Owen Carron of Sinn Fein, who had won a by-election after the death in the Maze Prison in 1981 of the then MP, hunger striker Bobby Sands.

Ken Maginnis: "No alternative to justice"

Mr Maginnis left the UDR in 1981 after 11 years' service to contest the 1981 by-election, but was unsuccessful.

Since his election two years later he has kept a meticulous record of the murder campaign in his constituency, and says the fact that no one has been brought to justice for 92 per cent — 160 out of 174 — of IRA killings supports the need for alternative measures.

Mr Maginnis asserts that the Royal Ulster Constabulary is aware of the identities of those conducting the IRA campaign and that their selective detention would help security forces to regain the initiative.

He discounts the view of nationalist politicians that selective internment would be a propaganda coup for the IRA and boost terrorist recruitment. "I don't seek selective internment as an alternative to justice. I see it as an alternative to the unimpeded march of the IRA through the lives of people in this community," Mr Maginnis said.

"I do not believe it would mark the beginning of a recruitment drive for terrorists if the community really cares about the hundreds of people being killed by them."

The carnage of Ballygawley overshadowed a terrorist attempt on his own life less than 24 hours earlier.

A parcel bomb sent to his home was defused by army experts after he became suspicious about the package.

Troubles hone the army's skills but at a heavy cost in lives

By Kieran Cooke

ON AUGUST 14, 1969, a company of soldiers from the Prince of Wales' Own Regiment took up position in Londonderry. The following day, 300 men from the Light Infantry entered West Belfast with fixed bayonets to act as a buffer between Protestant and Roman Catholic communities. They were the first British soldiers to arrive in Northern Ireland in the present phase of "the troubles."

Today, 19 years on, there are just over 10,000 regular army troops based in Northern Ireland, plus 6,500 locally recruited members of the Ulster Defence Regiment.

Saturday morning's massacre on the Omagh road brought the regular army death toll over the last 19 years to 410. In addition, 177 members of the UDR have been killed and 254 members of the Royal Ulster Constabulary. This year alone, 26 regular army soldiers have been killed, three more than the total for the previous five years.

Northern Ireland is the British Army's only operational area in the world. Perhaps contrary to popular conceptions, many army personnel, particularly officers, enjoy their time in the province.

For one thing, there is plenty of action. The army has developed techniques in Northern Ireland over the past 19 years which are the envy of the rest of the world.

They include night surveillance operations and computer checks on cars and other vehicles. In a 24-hour period, the army, together with the RUC, mounts up to 3,000 vehicle checkpoints, referred to in army language as VCPs, throughout Northern Ireland.

Driving over the border on Saturday, and going via Omagh to Belfast, I was stopped at four checkpoints. On one remote country road, soldiers with blackened faces and guns poised climbed out of a ditch to surround the car.

In a matter of seconds, by tapping a car number into a computer, the soldiers can have full details on car owners and their movements.

New equipment has been developed in response to the situation in Northern Ireland; the army has listening devices capable of interpreting conversations from vibrations picked up from a window-pane.

The skills of helicopter pilots operating in the province, flying at speed to avoid possible missile attacks, very low over undulating countryside, must be among the best in the world.

The army now has in Northern Ireland six resident battalions plus four battalions on four-month tours of duty.

The number of soldiers there has been much greater in the past. In 1972, when "Operation Motorman" was launched to clear Republican "no go" areas, there were 21,000 regular army troops in the province. Troop levels have been maintained for several years at approximately half the 1972 peak.

But though army numbers have declined, all the headaches of maintaining security for a large body of military personnel remain. The military are constantly told to be on the alert, to check underneath their cars for bombs, to beware when answering the door.

Some lapses are inevitable. The soldiers arriving at Belfast airport on Friday night with their military-style haircuts would have been easily identifiable. It is virtually impossible to maintain security for more than 10,000 men all the time.

The nature of army operations has changed from manpower to an emphasis on intelligence work and surveillance. The elite Special Air Services, the SAS, has come to play a more important, although highly secretive, role in the conduct of army operations in the province.

In the border area, where a new brigade HQ has recently been set up, small groups of highly trained soldiers "dig in," often for several days, in the corner of fields or in remote barns and derelict houses, observing local movements.

From 1969-77 the army was responsible for all security operations in Northern Ireland. In 1977, under a policy called "The Way Ahead," the principle of police primacy in security affairs was re-established, and officially at least, the army is now confined to supporting the RUC in maintaining law and order.

Although that policy has had the effect of re-establishing some degree of normality in Northern Ireland, it has in many ways complicated the security command structure.

The new General Officer Commanding (GOC) in Northern Ireland, Lt Gen Sir John Waters, is technically subservient to Sir John Hermon, the head of the RUC. Both sides say relations are very close: but occasionally there are hiccups. The RUC says it did not know the soldiers were being transported along the Omagh road on Saturday.

The Army operates mainly in what it describes as "Hard Green" areas, where the IRA is most active. They include West Belfast, parts of Londonderry, South Armagh and other border areas.

One immediate option that the British Prime Minister, Mrs Thatcher, now has is to increase troop levels in those areas. A force of more than 600 soldiers, called the Spearhead Battalion, is on standby.

UK NEWS

Restriction of electronics reports worries industry

By Hugo Dixon

THE ELECTRONICS industry is concerned at the Government's failure to publish two reports on the future of the UK's telecommunications infrastructure.

Both reports examine what government policy should be towards the creation of an advanced telecommunications network, allowing for services, such as high-definition television, video conferencing, and home shopping, to be available to every home and business in the country.

Government policy will not only help to determine the speed with which these services are introduced. It is also seen as having important effects on the future competitiveness of the electronics industry and on job creation.

People in the industry say that failure to publish the reports will exclude an open debate on the issues and might leave the industry rudderless.

One report is from a committee headed by Mr Alastair Macdonald, the Department of Trade and Industry official responsible for electronics policy. The other report – which provided the Macdonald committee with detailed facts on which to base its conclusions – is from PA, the specialist consultancy group.

Both reports were finished before Easter, but a DTI official, said last Friday that neither was likely to be published, although their conclusions might be made available later.

There was nothing sinister about that, he said, as there had never been a commitment to publish. However, one member of the Macdonald committee said the original understanding was that the PA report would be published.

The whole subject was "extremely important," said Mr Peter Sachs, director of the Electrical Engineering Association, the industry body. "Companies do not know how to develop their systems until they know how the Government thinks the national system should develop."

Mr Geoff Lomer, technical director of the electronics group Racal, said failure to publish was delaying planning.

The reports looked at three options for building an advanced fibre-optic network, capable of carrying much larger volumes of voice, video, and data traffic than the existing copper telephone cables.

- The "national grid" approach. Under this, the Government would aim to have fibre-optic cables extended to every home as quickly as possible. To achieve that, it might have to use subsidies, tax incentives, and regulation.
- Rapid deregulation. The most important change would be to allow British Telecom to send television programmes over its network.
- A continuation of the present policy of competition tempered by regulation.

The PA consultancy is believed to have concluded that the national grid approach would have generated more than 100,000 extra jobs over the next 15 years, but that building the network would have cost about £20bn.

The Macdonald committee is believed to have ruled out a national grid approach on the ground that government should not direct industry. It was concerned that fibre optics might prove to be an inappropriate technology and billions of pounds might be wasted.

Yet the committee is thought to have opposed rapid deregulation.

Britain 'risks being left behind in single market'

By Simon Holberton, Economics Staff

BRITAIN runs the risk of being left behind in the race to secure European markets in the post-1992 single European market, according to CL-Alexanders Laing and Cruickshank, the securities house.

It says in its latest Economic and Monthly Review, published today, that there are good reasons to expect frenetic merger activity in the run-up to 1992 as companies seek to grow, increase market power, make efficiency gains or simply gain market entry.

To date, however, UK companies have been more interested in corporate acquisitions in the US than they have in European acquisitions.

In 1987, British investment abroad totalled £7bn, of which only £800m was directed at EC acquisitions.

Alexanders says: "The first half of this year has seen some increase in UK companies buying into Europe, mainly in service industries, but it is still the case that UK companies are more interested in US acquisitions. The ratio remains around 10:1."

It was the Nestlé and Suchard bids for Rowntree earlier this year that brought the issue into focus, the securities house says. It admits that there are difficulties for UK companies buying into Europe, especially in terms of "breaking into the interlocking patterns of share ownership" that exist.

However, "if the UK is not to end up as an aircraft carrier off the coast of Europe from which non-EC companies will launch themselves into the expanded market, UK companies would do well to look East as well as West in their search for partners."

Estate agent warns staff not to speculate

Financial Times Reporter

ALDER KING, one of the West Country's largest firms of estate agents, has warned 800 staff not to speculate in property.

Chief executive Grant Watson disclosed yesterday that two employees had been disciplined at one of the Bristol offices of Alder King, which is part of the Lloyds Bank subsidiary Black Horse Agencies.

They had bought a house on the company's books and converted it into flats for sale.

He said: "Solicitors for both parties knew the identities of the buyers, and what they did was not illegal.

"We cannot stop staff investing in property to provide for their future, but I want the highest ethical standards, and I am not prepared to have members of my staff dealing in this way."

UK NEWS

Nuclear power costs 'may be passed on to consumer'

By Max Wilkinson, Resources Editor

THE EXTRA costs of nuclear power are likely to be loaded on to domestic electricity consumers after privatisation unless the Government takes steps to protect them, an Oxford economist warns today.

Dr Dieter Helm says in the journal of the Institute for Fiscal Studies, the independent think tank, that most commentators agree that nuclear electricity will cost more than power from other sources — at least for some time.

After privatisation, therefore, the industry would be unlikely to continue developing the nuclear option if it were able to choose. However, to protect the nuclear industry for strategic economic reasons, the Government has said it will require the industry to sell a fixed proportion of electricity generated from non-fossil fuel sources.

Dr Helm says this is likely to be financed by a special charge or "tax" on electricity consumers, levied by the 12 distribution companies, which will be the privatised successors to the present area boards.

However, the Government has also signalled that it intends to promote as much competition as possible in the industrial market, by allowing larger companies to sign electricity supply contracts direct with generating companies if they wish. To protect their markets, the area distribution companies therefore try to reduce prices to industrial consumers by loading fixed charges, including the nuclear levy, on to the captive domestic markets.

The regulator the Government intends to appoint to oversee the industry may try to prevent such a shifting of costs. That is because one of the purposes of the nuclear levy will be to ensure the viability of the larger of the two generating companies to be established. This company ("Big G") will inherit 70 per cent of the Central Electricity Generating Board's power stations, including all its nuclear capability.

Dr Helm says: "The imposition of a purchase requirement on area boards will probably not be enough to guarantee Big G's return on capital employed."

Coal-fired stations operated by the smaller competitor ("Little G") or independent companies might erode the industrial market for higher-priced nuclear power.

Dr Helm believes Big G would not commit itself to the expenses of a nuclear programme unless it had enough monopoly power to engage in predatory pricing to keep competitors out of the market.

"Big G will need to be insulated from 'unfair' competition, created by its cost handicap from the nuclear obligation."

That will make the job of the regulatory body particularly difficult when determining conditions for the entry of competitors into the generating market, he says.

The issue is at the centre of a debate in Whitehall about how regulations for the privatised industry should be drafted. The other big question is the extent to which area boards should be allowed to pass on to customers all the costs of fuel used in power stations.

Many commentators, including Dr Helm, believe the formula that regulates electricity prices should not allow the full pass-through of fuel costs. However, devising a compromise, to allow electricity companies to pass on only costs which they cannot avoid is proving difficult.

Dr Helm believes the regulator will need wide discretion to investigate the industry's costs at all stages. He says the regulator should be able to use information such as the running costs of each power plant, and the fuel contracts agreed by different electricity companies to estimate fair prices.

To ensure that the system is workable after privatisation, he says the regulator must be appointed as soon as possible, so that he will be able to monitor fuel contracts with British Coal and other suppliers which will be agreed before the industry is sold.

Regulating the electricity supply industry, by Dieter Helm. Fiscal Studies (August 1988 issue). Basil Blackwell, 108 Cowley Road, Oxford. £5.

Ilea abolition effects 'will vary'

By David Thomas, Education Correspondent

THE FINANCIAL impact of the abolition of the Inner London Education Authority will vary greatly between boroughs, according to calculations published today by the Institute of Fiscal Studies.

At the two extremes, residents of Kensington and Chelsea could be £50 a year better off, while inhabitants of Tower Hamlets might be £34 a year worse off after Ilea is abolished in 1990, Mr Stephen Smith and Ms Sheila Watson of the Institute conclude.

The other boroughs that will gain from Ilea abolition, according to the Institute of Fiscal Studies calculations, are Westminster, Camden, Lambeth and Islington, while the other losers are Hammersmith, Wandsworth, Hackney, Southwark, Lewisham and Greenwich.

The IFS has calculated the financial impact of Ilea abolition on the poll tax per adult, once the new tax replaces the rates. These calculations, which exclude Ilea's further education activities, assume that the boroughs maintain all Ilea's existing services and that central government's educational grants are distributed to the boroughs according to the existing formula.

FINANCIAL CONSEQUENCES OF ILEA ABOLITION

	Poll tax per adult (£)	Pupils per 100 adult residents
Kensington and Chelsea	-50	9
Westminster	-46	9
Camden	-28	10
Lambeth	-20	14
Islington	-4	13
Hamm'smith and Fulham	+1	12
Wandsworth	+5	15
Hackney	+9	17
Southwark	+11	15
Lewisham	+24	16
Greenwich	+30	18
Twr Hamlets	+34	17

Source: IFS

The wide differences in the effects for the inner London boroughs that will take over Ilea's responsibilities are due mainly to the different number of pupils per adult resident to be educated by the London boroughs.

The number of pupils per 100 adult residents varies from nine (in the case of Kensington and Chelsea and Westminster) to 18 in Greenwich. Fewer children live in central London boroughs such as Westminster, and of those more are educated privately.

Moreover, some boroughs "export" large numbers of children to other boroughs for education, for which they do not pay the full cost under existing rules. Thus Kensington and Chelsea had a net outflow of 1,300 pupils in 1987, while Tower Hamlets had a net inflow of 5,000.

Horizon cuts prices of its winter holidays

By David Churchill, Leisure Industries Correspondent

HORIZON HOLIDAYS, the travel operator sold last week by Bass to Thomson Travel for £75m, yesterday announced substantial price cuts on its winter holiday programme.

Horizon is offering thousands of its winter holidays at prices between £53 and £99 for one or two-week holidays to Mediterranean resorts such as Majorca, Malta, and the Algarve.

The move is aimed at boosting demand for winter holidays to the Mediterranean. This year's sales of winter holidays have been described as disappointing by some tour operators and travel agents.

The Horizon price cuts come only two months after it launched its main winter sun brochure. Buoyant demand last winter by consumers for winter sun caused the leading tour operators this year to increase the numbers of holidays on offer.

However, in spite of the budget tax cuts, many consumers have preferred to spend their extra disposable income on consumer durables rather than foreign holidays.

Demand for the main overseas package holiday market this summer is estimated at some 5 per cent below last year's record levels.

Horizon, which was bought by Bass for £92m in April of last year, has been trading at a loss since then. Bass decided last week that it could not make profits with Horizon's existing volume of sales at the low level of margins in the travel industry.

Earlier this month Horizon became the first travel company to start selling holidays for summer 1989 in the attempt to ensure that it kept pace with its rivals Thomson and Intasun, part of the International Leisure Group.

Thomson's acquisition of Horizon, however, might still be referred to the Monopolies and Mergers Commission. Mr Harry Goodman, chairman of ILG, met officials from the Office of Fair Trading on Friday to make the case for a referral on competition grounds.

The OFT is expected to make its decision whether to refer the Thomson-Horizon deal to the Commission early next month.

The important issues at stake are how great a share of the holiday business the combined group will have and what effect that will have on competition in the market.

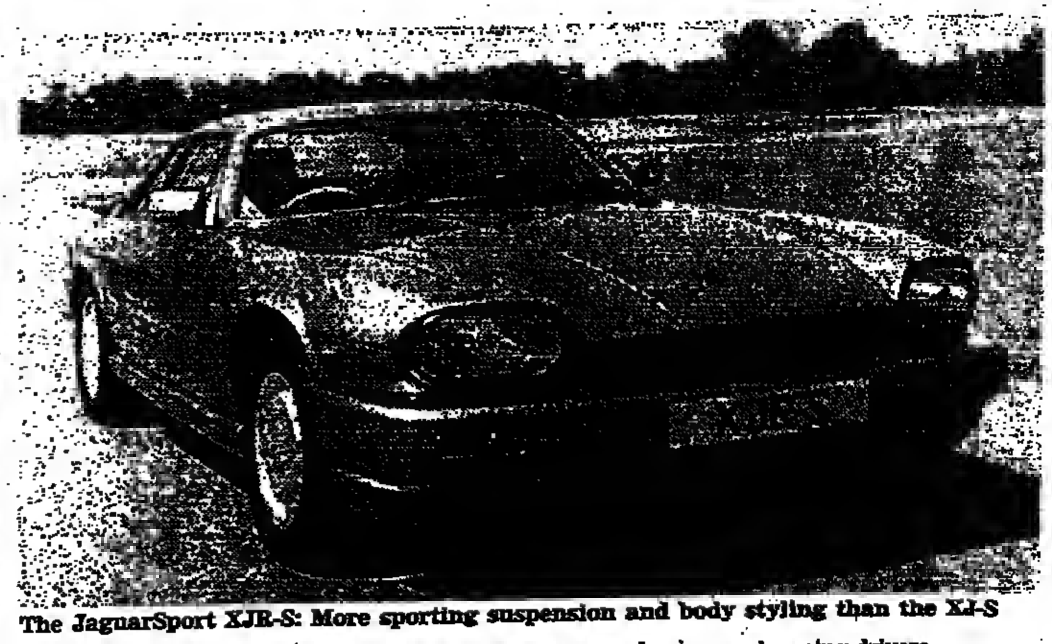
Jaguar venture launches coupé

By John Griffiths

THE FIRST product of a joint-venture company set up by Jaguar Cars and the TWR Group, which develops and operates Jaguar's racing cars, is launched today in the form of a £36,500 special edition coupé, the Jaguar XJR-S.

JaguarSport, based in Kidlington, Oxfordshire, is capitalised initially at £5m and is owned equally by TWR and Jaguar. It was formed earlier this year with a brief to produce up to 3,000 units a year of more overtly sporting versions of Jaguar's standard model ranges.

However, according to Sir John Egan, chairman of Jaguar and of JaguarSport, the joint venture may also be used eventually for more ambitious engineering projects. Neither he nor JaguarSport's managing director, TWR chief executive Mr Tom Walkinshaw, would rule out the venture eventually producing ultra-high-performance cars separate from mainstream Jaguars.



The JaguarSport XJR-S: More sporting suspension and body styling than the XJ-S

in volumes limited to a few hundred — and have already found them changing hands at vast premiums. One UK dealer is asking £400,000 for Porsche's version, the 959, although the car has left-hand drive.

Jaguar acknowledged that it is working on such a car, but only as a concept model. "If we like it, we will put it on display," said Jaguar public affairs director Mr David Boole. "If public reaction were to be positive then we might produce it." If the company eventually decided to go ahead, it would probably be produced by JaguarSport.

However, Jaguar executives did take the opportunity of the XJR-S's launch to quash widespread rumours that Jaguar plans imminently to launch a "supercar" based on its world sports car championship-winning vehicles, with a 220mph top speed and £150,000-plus price tag.

Rivals Porsche and Ferrari have put similarly priced performance cars into production

The XJR-S coupé launched today is based on the V12-engined XJ-S coupé. Its power output is unchanged but it has more sporting suspension and body styling. The first 100 models will be specially painted and numbered to commemorate Jaguar's victory at Le Mans this year, and their buyers will spend a day at Silverstone being taught high-speed driving techniques with Jaguar's racing drivers.

In October, JaguarSport will launch a more sportingly styled version of the XJ6 saloon, and over the next 18 months more powerful engines will be introduced.

Sir John said it was expected that most JaguarSport sales would be to new customers rather than customers substituting Jaguar's mainstream models.

Altogether, 24 UK JaguarSport dealers are being appointed.

German UK car plant forecast

By John Griffiths

A WEST German "volume car manufacturer" may set up a production plant in the UK within the next five years, according to a study to be published this week by Birmingham-based brokers Albert E. Sharp.

The study's author, Ms Del Denison-Barrett, does not refer to the manufacturer by name. However, by definition it can only be the Volkswagen group. West Germany's other two volume car producers, Ford and General Motors-owned Opel, are multinationals already present in the UK.

With production of not much more than half a million units a year, Daimler-Benz and BMW are too small and too specialised to be classified as volume producers.

No comment on the report was available from Volkswagen last night.

Volkswagen, which also owns Audi and Spanish manufacturer Seat, had been widely seen as a potential bidder for the UK's Rover Group before it was taken over by British Aerospace.

The Sharp study, which sets out to analyse the implications for the UK motor components industry of change among vehicle manufacturers, forecasts that a West German-owned "transplant" could contribute to a large surge in UK car production which, it forecasts, will reach 2m units a year in 1992.

Such a level compares with 1.14m last year and Sharp's forecast of 1.2m this year, rising to 1.44m in 1989.

This very buoyant forecast comes within a few days of statistics showing a 51.6 per cent deterioration in the UK motor industry's balance of overseas trade in the first five months of this year, with car exports by value down slightly and car imports on the same basis up by almost a third.

The production forecast takes note of the higher-than-expected demand for new cars in the UK — a market of about 2.2m seems likely this year — and foresees a shift in production share away from Austin Rover, once by far the largest UK manufacturer.

The report envisages increasing output share coming from Peugeot, Nissan, Honda and possibly other Japanese car makers.

Implicit in the forecast is that Honda will establish its own independent car manufacturing at its 380-acre site near Swindon, Wiltshire, instead of relying exclusively on joint ventures with its current partner, Austin Rover.

The Sharp report comes at a time when Ford is seeking to recover output lost during a two-week strike earlier this year and when Vauxhall, GM's UK car subsidiary, is bumping up against the limits of its car assembly capacity.

Peugeot-Talbot, which produced 46,000 cars in the UK last year, expects to produce 80,000 units this year.

Its managing director, Mr Geoffrey Whalen, said at the weekend that the UK company expected to be a candidate for any further Peugeot group investments to expand European capacity.

● The price of Vauxhall cars goes up by an average of 2.5 per cent from today.

Bedford van prices are also going up by an average of 2.4 per cent but those of the Opel Manta car and the Bedford KB pick-up truck remain the same.

Benefits 'lag behind earnings'

By Joel Kibazo

GOVERNMENT failure to ensure that social security benefits keep pace with earnings has made Britain a more unequal society, according to a Child Poverty Action Group report published today.

The report shows that although benefits such as child benefit, retirement pensions, unemployment benefit and the new income support have increased in real terms since 1979, all benefits have fallen behind average take-home pay, which has increased by 27.5 per cent in real terms over the same period.

Ms Fran Bennett, director of the Child Poverty Action Group, said benefit levels had repeatedly been shown to be inadequate, especially for families with children. That inadequacy was compounded when claimants were left behind as earnings rose.

The report shows that:

● Child benefit is now worth 7 per cent less in real terms than in 1979.

● Pensions for married couples have increased by 4 per cent in real terms over the last 10 years but have fallen from 45.3 per cent of average male net earnings to 36.4 per cent.

● Unemployment benefit for a married couple has fallen from 37 per cent of average net earnings to 29.2 per cent, while the real value of the benefit has dropped by 4 per cent.

● While the old supplementary benefit increased in real terms, it fell drastically in relation to earnings. The new income support introduced in April 1988 for the same size family was only 37.3 per cent of average weekly earnings.

The Real Value of Social Security Benefits. CPAG, 4th floor, 1-5 Bath Street, London EC1V 9PY. 75p.

Brewers deny 'profiteering' on low-alcohol drinks

By Tom Lynch

BREWERS WERE today accused of "rampant profiteering" on low-alcohol drinks as the law allowing pubs in England and Wales to open all day came into force.

Mr Bryan Gould, the shadow trade and industry secretary, said that low-alcohol beers cost as much as ordinary beer even though no duty was paid on them. He predicted stronger demand for low-alcohol drinks under the new pub hours and demanded government action to stop "this rampant profiteering by the brewers who are quietly helping themselves to a substantial proportion of the price which would go to duty on a full-strength pint."

In a letter to Mr Tony Newton, Trade and Industry Minister, he said the pub price of non-alcoholic drinks was "a national disgrace."

The Brewers' Society rejected Mr Gould's complaint as "utterly false and misguided." It said that removing alcohol from the beers and stabilising them was a complex process.

A lot of investment had been made in plant and research, and it was unlikely that any brewer was making a profit at this early stage.

The new law allows pubs, clubs and hotel bars to open on weekdays from 11am to 11pm. Sunday lunchtime hours are extended by one hour.

The Brewers' Society predicted at least 25,000 new jobs and said pubs would win back trade from fast-food outlets. City pubs and those in tourist areas are expected to benefit most, but the National Licensed Victuallers' Association predicted that almost half the 67,000 pubs in England and Wales would stick to the old hours.

As publicans geared up for the change in the law, two opinion polls registered conflicting expectations on whether the longer drinking hours would result in more crime and alcohol abuse.

A Harris poll showed 54 per cent considering the change as "a bad thing."

However, a survey of pub landlords for Haig whisky found almost a third expected less drunkenness and nearly a fifth expecting less violence. However, only 49 per cent said they would take full advantage of the new hours.

In Scotland — where the law was changed in 1976 — 53 per cent of landlords reported less drunkenness and 23 per cent less violence.

Private hospital claims support

A CONTROVERSIAL £100m private hospital development planned for the unemployment black spot of Clydebank, Dunbartonshire, has the backing of the overwhelming majority of local people. That is the finding of a survey commissioned by the developer, Health Care International, a US company.

The local council is due to consider a detailed planning application. The project has been strongly opposed by health service unions. The developer claims that it would generate 4,000 jobs.

Regional savings lure bureaucrats

Paul Cheeseright on government plans to relocate the Civil Service

HIGH London accommodation costs and a policy of devolving financial control in the Civil Service are behind the latest government moves to relocate large sections of the bureaucracy to the British regions.

"Dramatic savings can be made," a Department of Employment official said yesterday, noting that, for his department, accommodation costs in Runcorn could be a quarter of those in the West End of London.

The Department of Employment has started consultations with its 2,000 London staff about moving nine tenths of them out to the regions. The move comes at a time when other departments are also considering their accommodation needs and when the Treasury is studying the merits of relocation.

If the Department of Employment plans were to be repeated throughout the Civil Service, that might lead to an exodus of more than 90,000 jobs to the regions. On the rough yardstick that each employee needs 150 sq ft of space, that would mean a requirement over several years for 13.5m sq ft of office space.

Efforts to meet this need might drive up office rents in the regions because such large amounts of space are simply not available. Development activity in the regional office market has been increasing but, by City of London standards, many of the buildings are quite small.

Regional office rents, although at a much lower level than the highest rents paid in central London, have been rising over the past 18 months as accommodation that has been surplus since the 1970s has been taken up, leaving a shortage of space in important regional centres.

In a recent survey of office rents throughout the country, Jones Lang Wootton, chartered surveyors, calculated that in the year to last March, the average rise was 21.4 per cent. Office rents rose by 18.8 per cent to £9.50 a sq ft in Manchester, by 23.1 per cent to £8 in Newcastle upon Tyne and by 8.3 per cent to £8.50 in Liverpool. In centres nearer London, rent rises have been increasing by up to 50 per cent.

Attempts to relocate would therefore take place in a rising market, while at the same time, accommodation costs in London might start to stabilise.

Rents in central London for new buildings are now between £35 a sq ft in districts such as Victoria, running up to near £70 in isolated cases across the City and West End.

However, the effect of the City building boom plus developments coming on stream in London Docklands and, over the medium term, in places such as Holborn and Kings Cross is likely to hold tenants' costs in check as the market swings in their favour.

A marked disparity will remain between London and regional costs, however. Individual government departments will be forced to take that into account now that they are beginning to assume greater control over their running costs.

Although attempts to relocate Civil Servants in the regions were made in the 1960s and 1970s — indeed the Department of Employment's Manpower Services Commission went to Sheffield in the 1970s — the present drive reflects the Government's intention of creating a leaner bureaucracy.

That has been manifest in a series of moves ranging from the Financial Management Initiative, aimed at making those who spend public money responsible for the way they spend it, to the recommendations of the Downing Street Efficiency Unit for spinning off executive functions of government into agencies.

Responsibility, in short, is being devolved. Although departments and agencies are as dependent on the Treasury as they ever were for the funds they receive, they have been given greater flexibility over the way in which they spend them.

In property terms, that makes departments and agencies more aware of the cost of their accommodation. In such circumstances it is natural that they should at least examine the regional alternative.

Additional pressure for this has come from the way in which the Government has reorganised its property side. The Property Services Agency was responsible for the Government Estate. But last year the Government broke the link between individual departments and the PSA.

In the past the PSA simply took care of a department's accommodation needs — renting or building as was necessary. But departments are no longer obliged to look to the PSA. They can make, under the supervision of the Treasury, their own property decisions if they wish.

The Department of Employment sees itself as at the forefront of the regional move. It starts with the advantage of having considerable office space available in Bootle, Runcorn and Sheffield and of previous experience in decentralisation. But if history is any guide, civil servants will not jump with enthusiasm at the prospect of leaving the southeast.

MANAGEMENT

Coloroll's acquisition strategy

Playing it by its own book

The UK home products group makes exacting demands on each purchase. Alice Rawsthorn reports

John Ashcroft is not a modest man. "There are," as the chairman of Coloroll is fond of saying, "no obstacles, only opportunities, in business." And Ashcroft is quite, quite convinced that Coloroll is better suited than any other company to make the most of them.

In the coming months Coloroll will need every ounce of his ebullience as it tackles the task of revitalising the Crowther group of carpet companies, acquired for £207m after a bruising bid battle two months ago.

Crowther is by far the biggest company that it has bought to date. And its acquisition turns Coloroll into the leading player in the complex, and increasingly competitive, carpet industry.

Coloroll hopes to revive Crowther with the same formula that has, in the past decade, transformed it from a modest wallpaper mill and carrier bag company in Lancashire into one of the largest home products groups in the UK.

This formula combines meticulous market analysis with imaginative marketing, rigorous financial controls and a corporate culture in which there are no executive loos or boardroom drinks cabinets, and every executive is, or aspires to be, what Ashcroft calls "an MBA-barrow boy".

It has turned Coloroll into the kind of company that people either love or loathe. To its devotees, Coloroll has breathed new life into the moribund world of manufacturing industry. To its detractors, Ashcroft *et al* are a cocky crew whose comeuppance is long overdue.

When Ashcroft, now 39, arrived at Coloroll in 1978 his first task was to reappraise its role within the wallcoverings market. He identified three critical changes – advances in technology, the emergence of the DIY giants in retailing and the fashion for "small cottage prints" *à la* Laura Ashley – which could enable the company to steal a competitive edge.

Ashcroft mapped out his conclusions in a report, dubbed the White Book, – a corporate plan for Coloroll's development over the next five years. It was accompanied by the Yellow Book, a detailed analysis of the marketplace. The company was reconstructed accordingly. Within three years it had ousted Crown, Ashcroft's old employer, as market leader.

He then began to toy with the idea of moving further into other areas of "home fashion" as he called it. Coloroll could, or so he hoped, become a broadly based group providing every possible product for the home.

Ashcroft was convinced that the same strategy that had worked so well in wallcoverings – of using the Yellow Book to find out what the market wanted and restructuring a company to provide it – could be applied to other products like ceramics or carpets.

After its flotation in 1985, Coloroll was one of the ambitious companies that made the most of the bull market by staging a series of acquisitions. It moved into ceramics with Biltons and Staffordshire Potteries; bedding with Fogarty; glassware with Crown House; and carpets, first with Wallbridge and then Crowther.

These new businesses all operate within the same sphere and are all directed towards the same consumer group. There the similarity ends. Coloroll embraces many different production processes. In ceramics alone there are people throwing pots by hand at Denby, while the Staffordshire Potteries production lines churn out a million mugs a week.

Ashcroft needed to find a way of ensuring that Coloroll could be run in a way that, however big and broadly based it became, he and his central team could maintain control. He also wanted to instill the same spirit that had transformed the original wallpaper mill. In 1986 he wrote the Blue Book.

The book enshrines Coloroll's corporate culture. It is crammed with Ashcroft's own maxims: "Every manager is a sales manager" and "Don't have too many intellectuals". The aim is to create a corporate rhetoric which will envelop executives within the "hothouse" of Coloroll.

Ashcroft sees management at Coloroll as "a way of life". His ideal executive, the "MBA-barrow boy", is young, slim, sharp-suited and able to hurl himself over an army assault course at management weekends.

There is no room for recalcitrants. One of the first steps taken after a takeover is the "management presentation", at which the old managers pitch to keep their jobs. Acquisitions are almost always followed by a flurry of departures. At Fogarty 13 of the 14 senior executives left after a few days. Some managers go because they have to. Others leave of their own accord. Ashcroft is unabashed. "If they do not fit in, I would rather they went."

He insists that the workforce should "fit in" too. "There are no bosses at Coloroll," opines a management manual, "only teams of Coloroll people working towards a common aim."

As soon as the main board has finalised plans for a new company, the "Coloroll Roadshow" rolls up and Ashcroft extols the merits of working for the group. The Staffordshire Potteries workforce, and their families, heard him rattle off Coloroll's plans for their future in a circus tent.

Executive loos, and other remnants of the old regime, disappear as soon as Coloroll takes control. It then invests in shiny new facilities such as a £75,000 canteen for Fogarty.

Mike Arron

John Ashcroft: tackling the task of revitalising Crowther's carpets

All Coloroll managers are adjured to walk "all round" the factory at least "twice a week" to talk to employees. "How are we doing?" boards, bearing details of weekly performance, are emblazoned in every workplace. A team briefing system, originally from Staffordshire Potteries, ensures that all employees are briefed every month.

The air of egalitarianism sits oddly with another adage: "Management democracy is everyone agreeing with what the leader wants." Yet Ashcroft insists that the circus tents and shiny canteens are – like the management maxims – essential in encouraging employees to become committed to Coloroll.

Coloroll's corporate culture is one way of instilling discipline, its financial controls are another. The group is split into divisions defined by product type: ceramics, glassware, etc.

The divisional heads present their business plans, together with an updated version of the Yellow Book, every year. Each operating unit within the divisions is a profit centre. Weekly profit figures are prepared on Friday afternoon to be discussed by the unit's management on Monday morning. Monthly accounts appear five days after the month end, in time for the main board meeting on the second Monday of every month.

All divisions must meet the targets of 10 per cent return on sales and 25 per cent return on capital. The group has set itself targets of 20 per cent growth in earnings per share, 10 per cent in dividend, with gearing hovering below 40 per cent.

The targets are imposed as much to discipline the managers – all of whom can boost their pay by up to 50 per cent with bonuses – as to reassure shareholders.

Similarly the "post-acquisition" programme – financial analysis, management presentation, Yellow Book analysis and trial budgeting, all within a month – is structured to ensure that new businesses are integrated as swiftly as possible.

Once the programme is completed, the "Roadshow" rolls up, and the Coloroll "sales machine" springs into action to sell the new products that the Yellow Book says the market wants.

The sales machine is not universally popular. Marks and Spencer, for example, found Coloroll rather *too* iconoclastic for its taste. When Coloroll took over Fogarty and Staffordshire Potteries it inherited sizeable M and S contracts. In spring last year M and S cancelled them all, worth £12m to Coloroll.

The main cause for concern was Coloroll's move into retailing. Two years ago it opened a London store – ostensibly as a showroom – and bought a site in Manchester. Ashcroft envisaged a "chintz belt" chain across the country.

Its retail customers were aghast at the prospect of one of their – most aggressive – suppliers becoming a competitor. Coloroll had no option but to withdraw. The Manchester site was sold, the London store closed, the "chintz belt" chain abandoned. Yet M and S has not relented.

Coloroll has also suffered from being over-ambitious. "Production," says the Blue Book, "is not a problem in the 1980s." Yet the new team at Edinburgh Crystal enthusiastically drummed up new business to clear surplus stocks, only to find that they had underestimated the original level of production and could not keep pace with demand.

But, by and large, the sales machine succeeds. Coloroll has benefited unashamedly from the deficiencies of its competitors. It is a testimony to their weakness that many of its tactics – telesales and delivery from stock – are regarded as innovatory.

Ashcroft can cite a string of successes. Denby has returned to profit, as has Edinburgh Crystal. Fogarty has seen sales rise by 50 per cent. The original wallpaper mill has maintained momentum after five years of leading an increasingly competitive market. Coloroll should boost pre-tax profits from £26m to £60m, and sales from £258m to £600m, this year. The same formula can surely, he says, breathe new life into Crowther's carpet companies.

Crowther may be larger, and more complex, than the other companies Coloroll has bought so far, but it has all the hallmarks of an archetypal acquisition. Coloroll has already sold the unwanted clothing companies – for £93m – and is now restructuring the carpet interests.

Crowther Carpets has a flourishing distribution business, but its manufacturing interests are burdened by poor profitability, excess capacity and a workforce demoralised by years of cuts and poor management. The Coloroll solution is to cut costs by closing the administration centre and to boost morale by dispatching management and sales teams to the factories. Distribution will be left to its own devices.

So far, says Ashcroft, the "post-acquisition programme" has progressed according to plan. The Coloroll sales machine must now overcome the capacity problem by boosting sales to the retail multiples with new designs and sharper prices.

A pessimist would warn that the carpet sector is hopelessly cyclical, prey to sudden surges of imports and dominated by draconian retailers. Yet Ashcroft is as optimistic as Pangloss. "Other people can carp about the problems," he says. "All we are interested in are the rewards. And they will be enormous."

If Coloroll can get to grips with Crowther, its next step will be overseas. It is already established in most of the major UK home fashion markets and will soon enter upholstered furniture and upholstery.

Ashcroft sees the contract market, using Crowther's contract activities as a base, as one source of growth. But the chief focus for the future will be the US.

So far Coloroll has been rather less successful overseas. It encountered difficulties in its early days in Australia. The initial progress of Wallmates, its first US business, was also unexpectedly slow. And last year it faced problems in integrating Wallmates with the newly acquired Wallco. All these problems are now resolved and Coloroll's assault on the US begins this autumn.

The coming months will be critical for Coloroll. First it must prove that the formula that has succeeded with small companies will work on a larger scale with Crowther; and then that the same formula can be replicated in other countries.

Ashcroft is unabashed. "There are lots of people just itching to see us fail. They say we are a bunch of arrogant young buggers who are riding for a fall. But they have been saying that for the last ten years."

All those in favour ...

MANAGERS and educators with doubts about the wisdom of creating a new set of British management qualifications now have a chance to make their voices heard.

The Council for Management Education and Development, the driving force behind the proposed qualifications, has begun sending out a consultative paper on the future of UK management development to organisations which have said they want to become founder members of the Management Charter Initiative.

The consultative paper is also being sent to business schools, other professional bodies and employers who have not yet put their names to the charter initiative.

Letters were sent last month to 500 organisations inviting them to join the initiative.

John Wybrew, executive director of one of CMED's working parties, says that around 50 organisations have so far said they want to become founder members of the initiative. He said that some organisations had said they would not join; others have yet to decide.

The consultative paper contains few surprises. It proposes a hierarchy of management qualifications, beginning with a certificate for junior managers. This would include an introduction to the principles and techniques of management and the language of business.

This would be followed by a diploma for middle managers, and a Masters programme for directors or senior managers. CMED has proposed that the title of Chartered Manager be given to those who complete the diploma, but the consultative paper says this is one of the areas open to discussion.

The paper appears to be less flexible over another controversial issue: that the British Institute of Management be the body responsible for administering qualifications. "In practice, the choice of a suitable body to implement these ideas is extremely limited," the paper says.

Organisations or individuals who wish to attend meetings to discuss the proposals in the consultative paper should contact Robin Aram on 01-257-3412. Written submissions should be sent before October 31 to Management Charter Initiative, Room 996, Shell Mex House, Strand, London WC2R ODX.

Michael Skapinker

CONSTRUCTION CONTRACTS

Welwyn Garden City project

Work starts next month (September) on a £23m shopping centre at Welwyn Garden City.

The contract has been awarded to TARMAC MANAGEMENT by Howard Centre Properties, a wholly-owned subsidiary of Slough Estates.

It involves construction of three large stores and 45 shops fronting the town square and is scheduled for completion in 22 months.

In addition, the 260,000 sq ft development will contain travel facilities, comprising a British Rail travel centre, bus station, and a 700-space multi-storey car park with direct access from a new town centre distributor road forming part of the scheme.

The steel and concrete structure will be brick clad with glazed roofing to some areas of the shopping mall.

Largest soft drinks plant in Europe

Coca Cola & Schweppes Beverages has awarded a £23m design and build contract to SHEPHERD for a 430,000 sq.ft. production, warehouse and office facility to be built on the Wakefield 41 industrial Estate.

It will be the largest soft drinks plant in Europe.

Work has started on site and production will commence in October next year.

The total contract will be completed by December1989.

The unique plant will produce the full range of Coca Cola and Schweppes Beverages soft drinks.

Total investment by the client will over £50m.

British Telecom offices in Swindon

British Telecom has awarded HIGGS AND HILL a £12.9m contract for the construction of offices in Swindon, Wiltshire, in the centre of the town, adjacent to the main railway station and the Oasis leisure centre.

The building will be of three storeys, with a roof-top plant room. Although a single building, it contains four separate blocks, each with its own core area surrounding a central atrium.

The office areas are generally of reinforced concrete construction on pad and strip foundations.

The central atrium structure is comprised of in-situ reinforced concrete columns, walls and solid slabs from ground to first floors and fire-protected structural steel work above.

Externally

The external cladding will be a mixture of facing brickwork and blockwork cavity wall construction with powder coated aluminium double-glazed windows, curtain walling and screens.

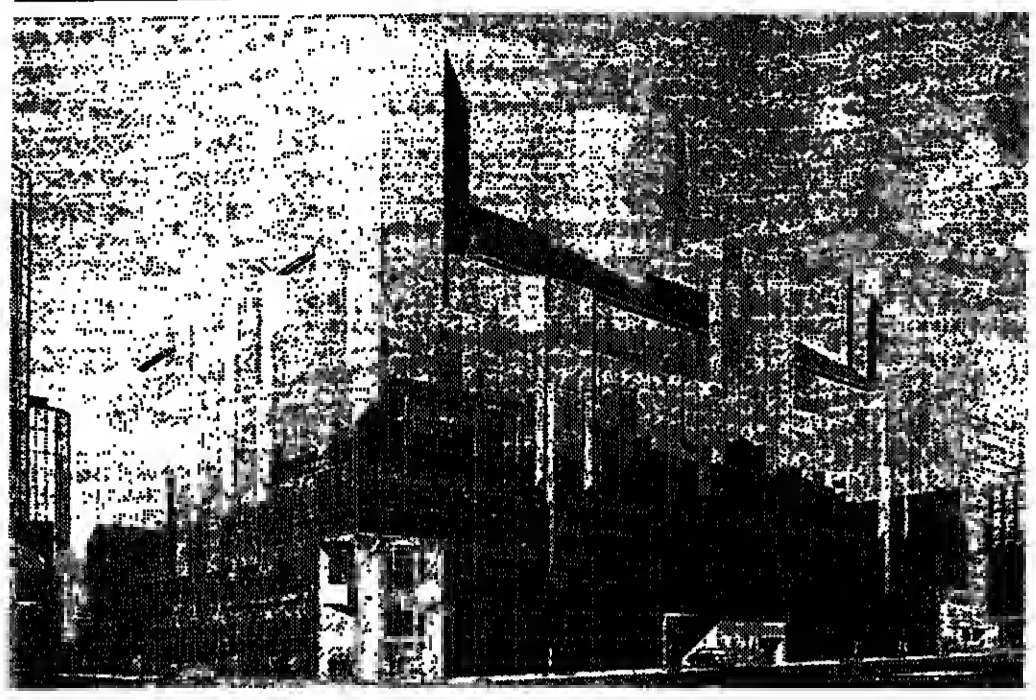
The roof covering the four blocks is a blend of two patented roofing systems, one timber-framing at a twelve degree pitch and the other a flat construction.

Internal walls will be of blockwork with demountable partitions in the office areas. The project will provide a total of 160,000sq ft of offices with raised access floors and suspended ceilings.

Services include air-conditioning incorporating a heat gain for the offices, heating and ventilation for the staircases and atrium, and mechanical ventilation elsewhere. The atrium is also provided with smoke ventilation.

Four 10-person passenger lifts will serve all three floors and provision will be made for a further four lifts if required.

Included in the contract is car parking for 650 cars, and landscaping.



An artist's impression (left) of Land Securities latest City of London office development at Milton Court, EC2.

Demolition work is now in progress by Griffiths McGee, and a contract for the building works worth £36.5m has been awarded to COSTAIN CONSTRUCTION. Completion is scheduled for March 1990.

Situated on an island site bounded by Milton Court, Moor Lane, Chiswell Street and Milton Street, the building will provide about 160,000 sq ft of high technology air-conditioned space on seven floors.

The building, which has been designed by Sir Denys Lasdun, will feature externally a continuous tinted glass skin which will act as a veil to the conventional glazed cladding behind it.

The offices will be arranged around an atrium with the entrance hall at its base. The atrium will have on one side a drum-like structure housing the main group of lifts. There will be a water feature in the entrance hall around the base of the drum, and there will be a series of bridge links at higher levels.

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
Stormguard, The Goring Hotel, Beeston Place, S.W., 10.00

BOARD MEETINGS-
Finals:
Sandvik Aktiebolag
Interims:
ADT
Allied Hldgs.
Fisher (James) & Son
Moorfield Estates
Palma Group
Rockwood Hldgs.
Scottish Eastern Inv. Tst.
Woodchester Invs.

DIVIDEND & INTEREST PAYMENTS-
Aon Corp. 32cts.
Chase Manhattan Corp. Fltg. Rate Nts. 1991 $360.73
Cons. Freightways 24.5cts.
Equity Consort Inv. Tst. 10.4062p
Do. Dfd. 20.8125p
Exchequer 12½% 1994 6.25pc.
FKI Babcock 1.75p
Friendly Hotels 1.05p
Heath (C. E.) 18.375p
Investment Co. 0.85p
Lancashire & London Inv. Tst. 1p
Mountview Estates 7.5p
Murray Intl. Tst. 1.75p
Security Pacific Corp. Fltg. Rate Sub. Cap. Nts. 1997 $202.50
Treasury 11¾% 1989 5.75pc.

TOMORROW

COMPANY MEETINGS-
Debenham Tewson & Chinnocks, The Mayfair Intercontinental Hotel, Stratton Street, W., 11.00
Eve Group, Bakers Hall, Harp Lane, E.C., 10.30
Moorgate Inv. Tst., 49 Hay's Mews, W., 11.00

BOARD MEETINGS-
Finals:
Jos Hldgs.
Pillar Hldgs.
Interims:
Cambridge Electronic
EBC
Evans Halshaw Hldgs.
Ex-Lands
Federated Housing
Frost Group Inv. Hldgs.
Gold & Base Metal Mines
Hong Kong & Shanghai Banking Corp.
Life Sciences Intl.
Marley
Murray Intl. Tst.
Northern Engineering Inds.
Olives Paper Mills
Scandinavian Bank
Taylor Woodrow
Templeton, Galbraith & Hansberger

DIVIDEND & INTEREST PAYMENTS-
Boots 5.7p
Carlton Comms. 2.45p
Learmonth & Burchett Management Sys. 1.2p
Manufacturers Hanover Tst. Fltg. Rate Sub. Cap. Nts. 1994 $26.19
Morgan (J. P.) Inc. Fltg. NV Gtd. Fltg. Rate Nts. 1997 $108.46
Oceana Development Inv. Tst. 2.2p
Sock Shop Intl. 1p
Treasury 2½% IL 2011 £1.73

WEDNESDAY AUGUST 24

COMPANY MEETINGS-
Allied Colloids, Cleckheaton Road, Low Moor, Bradford, 12.00
British Bloodstock Agency, Queensbury House, 129 High Street, Newmarket, 12.00
Brunning Group, The Adelphi Bldg., John Adam Street, W.C., 11.30
Parkfield Group, The Bowmont Room, Savoy Hotel, W.C., 12.00

BOARD MEETINGS-
Finals:
Trans-Natal Coal Corp
Interims:
Barr & Wallace Arnold Tst.
Hanson
Jourdan (Thomas)
Pennine Optical
Queens Moat Houses
RKF
Victaulic
Wates City of London Props.
Weir Group

DIVIDEND & INTEREST PAYMENTS-
Bangkok Invs. Ptg. Red. Prf. [illegible]
Badeys 1.6p
Burns Grp. 8% Cnv. Uns. Ln. 1986/01 4pc.
Coalit 2.5p
Dawson Intl. 5.4p
Debenham Tewson & Chinnocks Hldgs. 3.5p
First National Finance Corp. 3.5p
India (State Bank of) Fltg. Rate Nts. 1997 [illegible]
Investors in Industry Intl. BV Gtd. Fltg. Rate Nts. 1994 £19.64
Royal Bank of Canada 52cts.
Swan (John) & Sons 10.5p
Toothill (R. W.) 5.39p

THURSDAY AUGUST 25

COMPANY MEETINGS-
Burtonwood Brewery, Burtonwood Village, Cheshire, 12.00
Dowty Group, Arle Court, Cheltenham, Gloucestershire, 11.30
Scottish & Newcastle Breweries, King James Thistle Hotel, St James Centre, Edinburgh, 10.00
Sutcliffe Speakman, The Lord Daresbury Hotel, Daresbury, Cheshire, 12.30
Vinten Group, Angel Hotel, Bury St Edmunds, 12.00

BOARD MEETINGS-
Finals:
Heath (Samuel)
Interims:
Emess
Ericsson (L. M.)
Hartons Group
IOM Steam Packet
Ladbroke
Lec Refrigeration
McDonald Martin Distilleries
PLM Atl

DIVIDEND & INTEREST PAYMENTS-
Aluminium Co. of America 35cts.
Associated Newspapers Hldgs. 2.25p
Authority Invs. 3.5p
Eaton Corp. 75cts.
Exchequer 12¼% 1999 6.125pc.
Feedback 1.25p
Hogg Robinson 2.7p
Primerica Corp. 40cts.
Bank Nova McDougall 8⅝% Uns. Ln. 89/94 4.0625pc.
Do. 8⅞% Uns. Ln. 91/95 4.4375pc.
Shield Grp. 2p
Stewart & Simpson 3.2p
Do. A NV 3.2p
Sungei Best Mines Malaysia 40sen.
TSB Gilt Fund Ptg. Red. Prf. (Class B) 1p
Throgmorton Tst. 4p
Total Systems 0.75p
Whinney Mackay-Lewis 2.7p

FRIDAY AUGUST 26

COMPANY MEETINGS-
Allie Group, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Creighton Laboratories, Abingworth Hall, Storrington Road, Thakeham, Pulborough, West Sussex, 11.30
Lees (John J.), Albany Hotel, Bothwell Street, Glasgow, 12.00

BOARD MEETINGS-
Finals:
AGA Aktiebolag
Automagic Hldgs.
Prestington Far East
[illegible] Tst.
Interims:
Breaner (T.F. & J.H.)
Jaguar
Newmarket Co.
Parambe
Refuge

DIVIDEND & INTEREST PAYMENTS-
Alexon Grp. 5.5p
Allied Colloids Grp. 1.65p
Bank of Tokyo (Curacao) Hldgs. NV Gtd. Fltg. Rate Nts. 1992 $38.56
Bertam Hldgs. 1.2p
Burtonwood Brewery 2.095p
Campbell & Armstrong 2p
Clyde Blowers 0.83p
Drayton Far Eastern Tst. 0.4p
French (Thomas) & Sons 1.3075p
Freshbake Foods Grp. 2p
Great Western Financial Corp. 19cts.
House Property Co. of London 6p
Illingworth Morris 3p
Jarboy Electricity Co. A 7p
Kode Intl. 5p
[illegible] Grp. Class A Sub. Vtg. 10cts.
Lloyds Eurofinance NV Gtd. Fltg. Rate Nts. 1996 [illegible]
London & St Lawrence Inv. 5% Prf. 1.75p
McAlpine (Alfred) 4.8p
Melville Street Invs. 1.5p
Morgan Grenfell Grp. Und. Prim. Cap. $376.01
Murray Technology Invs. 0.4p
Neotronics Technology 0.6p
[illegible] Fine Foods 1.25p
Scapa Grp. 5.42p
Sotheby's Hldgs. Class A Lim. Vtg. (Reg.) 6.5cts.
Symonds Eng. 0.7p
TGI 2.4p
Treasury 10% 2001 5pc.
Tribune Inv. Tst. 0.72p

SATURDAY AUGUST 27

DIVIDEND & INTEREST PAYMENTS-
Lees (John J.) 1.26p
Treasury 9¾% 2002 4.875pc.

SUNDAY AUGUST 28

BOARD MEETINGS-
Finals:
Murray Income Tst.

DIVIDEND & INTEREST PAYMENTS-
Cigna Overseas Finance NV 13% Uns. Ln. 2008 6.5pc.
Electricite de France 12¼% Gtd. Ln. 2008 (Reg.) 6.125pc.

Trade Fairs and Exhibitions: UK

Current
International Jewellery Exhibition (until August 24) (0935 20721)
Business Design Centre

August 27-29
Town and Country Festival (0203 696969)
Kenilworth

August 28-31
International Menswear Fair – MAB (01-437 8754)
Earls Court

September 11-14
Gifts West (01-637 2400)
Bristol Exhibition Centre

September 16-24
British Marine Industries Federation International Boat Show(0703 737400)
Southampton

September 25-27
International Garden and Leisure Exhibition - GLEE (01-390 2211)
NEC, Birmingham

September 27-29
Water and Environmental Management Exhibition and Conference (01-637 2400)
Eastbourne

September 27-29
City of London Wine Fair (01-638 4141)
Barbican, London EC2

September 28-30
National Finance Directors Exhibition and Conference (01-837 1133)
Business Design Centre, London

October 2-4
International Flower Trades Exhibition - IFTEX (01-486 1951)
Alexandra Palace, London

Overseas Exhibitions

August 22-24
Nordic Fashion Fair (01-486 1951)
Helsinki

August 25-28
Office Equipment, Technology and Computer Systems Exhibition (0494 729406)
Singapore

August 30-September 1
Traffic Engineering and Road Safety Exhibition - TRAFFEX (01-636 3956)
Canberra

September 1-6
International Machinery, Factory Automation & Electronic Technical Exhibition - MECT-ASIA (0494 729406)
Taipei

September 4-10
International Autumn Fair (0375 392222)
Leipzig

September 4-8
Crystalware,China, Ceramics, Jewellery, Gifts and Furnishing Articles Exhibition - EURO-PACADO (01-434 1825)
Brussels

September 6-10
Building and Construction Exhibition - CONBUILD (021-454 3385)
Sydney

September 7-9
International Autumn Fair' (01-977 4551)
Vienna

September 11-18
International Autumn Fair (Zagreb 41/511-666)
Zagreb

September 13-18
International Motor Car Workshop; Service Station Equipment and Auto Spare Parts and Accessories Trade Fair (01-734 0543)
Frankfurt

Business and management conferences

August 30,31 and September 1
Financial Times Confrences: Commercial aviation to the end of the century – Expansion in an era of accelerating change (01-925 2323)
Hotel Inter-Continental, London

September 8-9
CBI: Increasing your sales to the Ministry of Defence (01-379 7400)
Centre Point, London WC1

September 8-9
The Industrial Society: Industrial relations for new managers (01-262 2401)
Central London

September 9
Channel Tunnel Conference: Channel Tunnel - make it your business (0904 653655)
Viking Hotel, York

September 12
The Economist: 1992 – The implications for marketing, advertising and the media (01-839 7000)
Marriott Hotel, London

September 12
CBI/Marketing Society: Mastering the market (01-379 7400)
Centre Point, London WC1

September 13
CBI Conferences: European standards – Who needs them? (01-379 7400)
Centre Point, London WC1

September 14-15
Employment Research Unit, annual conference : New forms of ownership – management and employment (0222-42588)
Cardiff Business School

September 16
The Industrial Society: Harmonisation – A one-day seminar to examine the principles and practice of harmonising terms and conditions of employment (01-839 4300)
3 Carlton House Terrace, London SW1

September 16
Hawksmere: Insurance aspects of property investment and development (01-824 8257)
London Press Centre

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

Appointments

Managing director at Formica

■ After 11 years in the US with the Schlegel Corporation, latterly as vice president and general manager for the Americas, Mr Martin S. Barnes has returned to the UK to be managing director of FORMICA LTD at Tynemouth. He completes an operational control unit known as the office of the managing director, in tandem with Mr Christopher Moreton-Fincham, who was appointed deputy managing director last October, when former managing director Mr Peter Marshall left to head Formica Corporation's manufacturing operations in North America. Mr Marshall has since been appointed vice president US operations. Mr John Bonas, currently in charge of all operations in the Far East, Europe and Canada, has been named an executive vice president and a member of the board of Formica Corporation.

Mr Martin S. Barnes, managing director of FORMICA LTD.

■ DATATRAK, Swindon, Wiltshire, has appointed Dr Richard J.S. Harris as managing director from September 1. He was managing director of Offshore Design Engineering. Datatrak is owned jointly by Securicor and Wimpey, and was formed to develop the Datatrak automatic vehicle tracking system, based on a network of low frequency navigation transmitters. The system, which can locate a vehicle to within 50 metres, and track its movements, is fully operational in the south-east of England, and trials are starting in the Midlands.

■ Mr Richard Tickner has been appointed field sales director of the group central sales and marketing division of JOHN MOWLEM & CO.

■ Mr Roger Carey, development director of SLOUGH ESTATES, has been appointed chairman of Guildhall Properties, a property trading subsidiary. Mr Clive Handford has been appointed managing director. He was a subsidiary board director with Trafalgar House.

■ NORCROS has appointed Mr David Hamilton as company secretary following the retirement of Mr Robert Gee, a director. Mr Hamilton joined Norcros in 1973 as head of legal affairs, for which he will continue to be responsible.

■ Mr R.K. West has been appointed an associate director of EUROFI in the Edinburgh office. He was a principal in the accountancy services division of the Department of Industry and the Scottish Office.

■ LAWRENCE GRAHAM has appointed Mr Hugh Thompson, a senior assistant director of Standard Chartered Merchant Bank, as a partner dealing with specialist banking services.

■ Mr Stan Whittaker has been appointed BRITISH RAILWAYS BOARD's director of finance and planning. He succeeds Mr Ian Phillips, who has joined the BBC. Mr Whittaker was director, group finance.

■ Following the acquisition of Sumrie Clothes by EXECUTEX CLOTHES the following appointments have been made: Mr John Luper, chairman; Mr Toby Luper, deputy chairman; Mr Allan Webster, managing director and company secretary; Mr Ronnie Sumrie, sales and marketing director; Mr Lee Lindemann, production manager; and Ms Paula Waterhouse, sales and customer liaison manager.

■ COMPUTER SECURITY, Brighton, has appointed Mr Michael Davies as marketing and sales director. He joins from Datacard (Europe) where he was managing director.

■ Mr Christopher Fowler, divisional managing director of interconnection technology, Mr Graham Peters, divisional managing director of specialist companies, and Mr Harry Tee, divisional managing director of electronic components, all join the board of CAMBRIDGE ELECTRONIC INDUSTRIES from September 1.

■ SWISS BANK CORPORATION INVESTMENT BANKING, London, has appointed Mr Stephen Oristaglio to the newly-created post of executive director in charge of fixed income trading. He will oversee the institutional and retail trading desks. Mr Oristaglio was a senior trader at Salomon Brothers in charge of the dollar fixed income trading desk.

■ Mr George Fowler, Mr Graham Peters and Mr Harry Tee are being appointed to the board of CAMBRIDGE ELECTRONIC INDUSTRIES on September 1. They are all divisional managing directors.

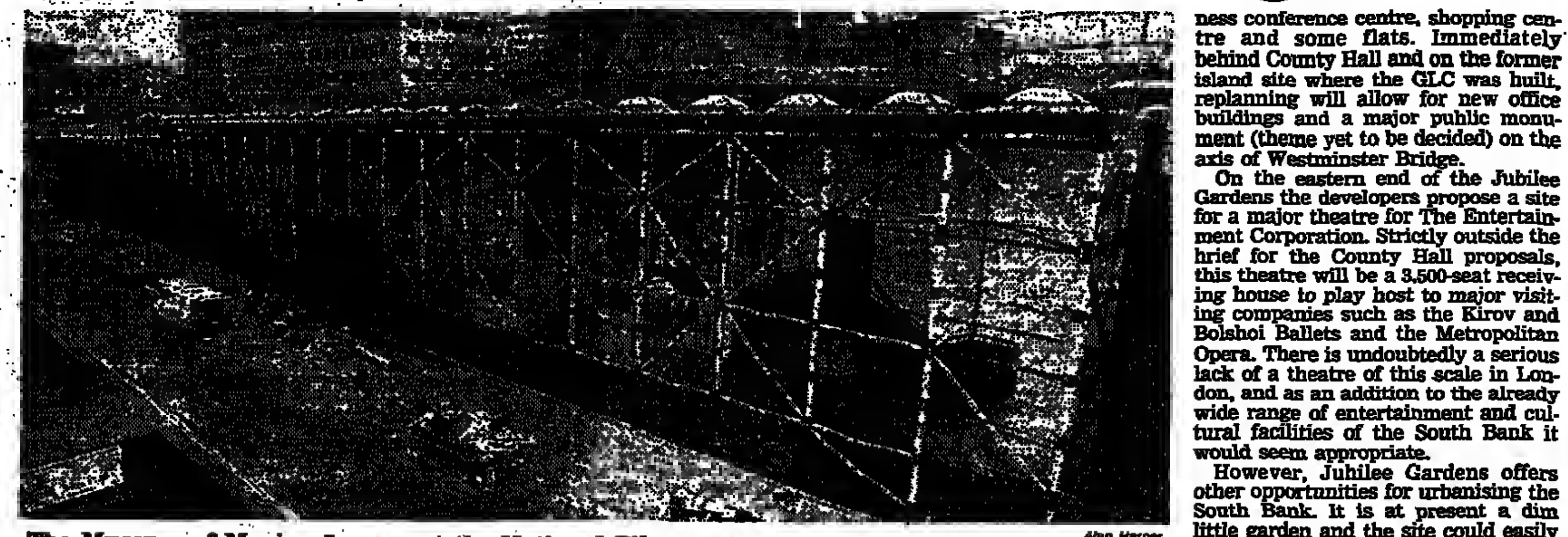
■ MASSEY-FERGUSON TRACTORS has appointed Mr Nicholas Crighton as personnel director at the company's Coventry tractor plant. He joins from Peugeot Talbot where he played a key role in introducing new attitudes of co-operation and positive thinking. In his new position Mr Crighton will be responsible for all aspects of personnel management relating to Massey-Ferguson's 2000 employees. This is the first time a personnel appointment has been made at board level.

■ The AGATE GROUP, based at Heanor, Derbyshire, has appointed Mr David G. Watson (above) as sales and marketing director with responsibility for property development, construction and civil engineering.

■ Mr Hugh McNearnie, vice chairman of Barclays de Zoete Wedd Property Investment Management, has been appointed a director of ATKINS HOLDINGS and Atkins Properties, Epsom.

ARCHITECTURE

South Bank moves towards a new image



The Museum of Moving Images at the National Film Theatre, South Bank

Alan Harper

The row of hulbous, domelike eyes that now flank the southern edges of Waterloo Bridge in London are appropriate symbols for what lies beneath them. Eyes see images, and the images they see often move. London's Museum of the Moving Image (opening September 15.) has an arresting architecture in total contrast to the concrete forms and walkways of the South Bank.

The architect is Brian Avery, of Avery Associates. He was selected after the client (the British Film Institute) had seen his scheme for a "Video-viscom" museum that he proposed for the Hampton site next to the National Gallery.

The National Film Theatre and this new museum are direct descendants of the Festival of Britain held on the South Bank in 1951. They are descendants architecturally because they have adopted the lightweight, technologically experimental imagery of the optimistic 50s. However, the growth of the South Bank into a collection of sombre concrete constructions – particularly the Hayward Gallery and the Queen Elizabeth Hall – has crushed the vital spark of the Festival spirit.

The new museum is very much a descendant of the Festival in its clear purpose to inform and entertain. The full and intricate account of the growth and development of the moving image, from Chinese shadow play to satellite TV, is in the tradition of the informative great exhibitions of the past. I suspect that even with timed entry the museum will scarcely hold the crowds that will flock to it.

It was Wells Coates who designed the original Telecinema for the Festival of Britain, and it was very much to the credit of the then London County Council that the spirit of that cinema was transferred into the replacement NFT that was designed by Engleback and Roper of the LCC and slipped neatly under Waterloo Bridge. It is the presence of the NFT that encouraged the equally ingenious insertion of the major part of the new museum under a large section of Waterloo Bridge. The near invisibility of such a major national resource has been questioned by some, and it is fair to point out that a striking vertical illuminated feature is planned, rising high above the South Bank, as soon as the money becomes available.

While the proposed vertical feature may echo the famous Skylon that marked the Festival of Britain site, the structural techniques of Ralph Tubb's Dome of Discovery are reflected in the Avery structure of the new museum. If you stand in the Belvedere Road or on the side terraces of the National Theatre you see one of the two narrow edge galleries. A glass wall with red steel diagonal bracing exposes an inner wall of what will be moving images. This will, in effect, be a giant advertisement for the museum. It is a very carefully designed and engineered wall (engineers Anthony Hunt Associates) and suggests that London has acquired a more sophisticated version of the Pompidou Centre for the South Bank.

No-one can donht the technical problems that had to be overcome to build the museum under a listed structure that has a propensity to leak. The Avery solution is a neat, simple and elegant one. The large empty box under the bridge is the main exhibition space, and the outward and visible signs of the museum's existence are the steel and glass wings and the angled foyer, which is shared with the NFT. Film reels are what you push to open the doors, neon signs and moving images modelled on the Muybridge Running Man enliven the foyer – and then you are plunged into a world of filmic fantasy.

Cinema architecture is not ignored and there is a replica of an Odeon of the 1930s, complete with accurate reproduction of carpets, curved walls and fan-marked plaster work. The designer, Neal Potter, has achieved great success in his evocation of the film world and Brian Avery has seen how modern technology comhines with popular culture to produce distinguished and original architecture. I very much hope that the tower will also be built soon – both to highlight the existence of the museum and also to act as a contemporary landmark.

There are other important developments in the pipeline for the South Bank. In the autumn the South Bank Board will unveil its plans for the removal of some of the worst concrete excrescences and the latest version of architect Terry Farrell's cover-up scheme for the areas around the Festival Hall, Hayward Gallery and Queen Elizabeth Halls.

Further upstream the County Hall Development Corporation, with their architects Skidmore Owings and Merrill, have interesting plans for the new use of County Hall and its immediate environs. The winning group which made the successful bid to the London Residuary Body is made up of New England Properties, London and Metropolitan, Lazards and Touche Ross Investment Company. They plan to use County Hall as a hotel, business conference centre, shopping centre and some flats. Immediately behind County Hall and on the former island site where the GLC was built, replanning will allow for new office buildings and a major public monument (theme yet to be decided) on the axis of Westminster Bridge.

On the eastern end of the Jubilee Gardens the developers propose a site for a major theatre for The Entertainment Corporation. Strictly outside the brief for the County Hall proposals, this theatre will be a 3,500-seat receiving house to play host to major visiting companies such as the Kirov and Bolshoi Ballets and the Metropolitan Opera. There is undoubtedly a serious lack of a theatre of this scale in London, and as an addition to the already wide range of entertainment and cultural facilities of the South Bank it would seem appropriate.

However, Jubilee Gardens offers other opportunities for urbanising the South Bank. It is at present a dim little garden and the site could easily take a new theatre, housing, hanging gardens and a major new exhibition facility for the capital. London badly needs a "Grand Palais" and no-one would mourn the loss of the hideous Hayward and its replacement by something grander, more elegant and more appropriate for the larger art exhibitions that at present never cross the Channel.

The intricate insertion of the Museum of the Moving Image has to be admired, but the South Bank needs a broader vision and – for once – to be planned as a whole. With no London government there is no grand plan. Channel Tunnel traffic is to arrive at Waterloo in a new terminal – will the chance be seized to make the Waterloo area the new civic centre of London, as well as a cultural centre of world significance? The parallels with the development of South Kensington after the Great Exhibition are obvious – and the potential for public gain is just as significant.

Colin Amery

Erling Larsen's Calaf (top), with his alternate Turandot, Turid Haavik

Turandot

EDINBURGH FESTIVAL

Puccini's last and grandest opera would seem a particularly unpromising bet for low-budget popular reduction. The more striking the Stockholm Folkopera's success, then, at bringing it off in the little Leith Theatre – with twenty-eight instruments (including discreet synthesiser), a lusty chorus of sixteen and a lot of red-painted scaffolding. Certainly the Festival audience loved it; and I thought the musical realisation and the lively stage conception both hrave end effective. Kent Opera and the London Opera Factory have an exciting Swedish competitor.

Claes Fellbom's production added only a single gimmick, and that an honourable one. The least palatable feature of *Turandot* is its homicidal titular princess, redeemed solely by her heroic vocal line: here she was kindly 'explained' by showing her in flashback as a molested child, abused by obscure towering figures. Thus we were invited to forgive all, even the crushing of poor Liù – no pathetic pawn, on this reading, but a noble self-sacrifice in the cause of the therapy. Otherwise the tale was told straight, swift and colourful (the officials Ping, Pang and Pong sported trendy T-shirts under their Mao uniforms), with the chorus veering between sadistic glee and tears of pity – just as fickle crowds are supposed to do – with the utmost energy.

The resourceful designs by Sören Brunes somehow made room for intimate scenes and impersonal rituals alike, and also placed the orchestra to maximum advantage at rear stage, dimly visible but mightily audible. There were high platforms for the proclamations and challenges, but *Turandot* needs no solid edifice, and sufficient spectacle was created with banners, parasols and floating cloths. Characters sprang in and out of hidden trenches and a pit, besides regularly invading the hall.

With eight performances in six days, alternate casts were essential – and there were alternate conductors too, Glenn Mossop and Kerstin Nerbe, who had collaborated on the ingenious orchestral reduction. I heard Miss Nerbe's stirring account, and the cast that evening confounded earlier reports of mediocre singing. Our indulgence was still begged for Erling Larsen's Calaf, who merely marked his top notes but delivered the rest with consistent dramatic force. If 'Nessun dorma' sounded odd without its high notes, it sounded pretty funny in Swedish anyway – but the vernacular lent great conviction to all the exchanges.

Anne-Lise Berntsen was a nervy Turandot in the Glenda Jackson mould (or maybe Gunnel Lindblom); some harshness in her timbre suited the *persona* and she was grippingly intense. There was a Timur of ripe distinction from Göran Annebring, and the vivid trio of counsellors was led by Stefan Axelsson's Ping with well-pointed delivery and a gleaming eye. As Liù, Pia-Marie Nilsson must count as an early international discovery: a big girl with a radiantly affecting presence and a big, generous voice to match, she made her dehut while still a student only two years ago. With any luck, a great many more andiences will be hearing her soon.

David Murray

Britten and Schubert

QUEEN ELIZABETH HALL

The first of the Summerscope *Schubert and Britten concerts* on Friday, contained some choice items. If one of the purposes of these out-of-season South Bank series is to deploy well-known musicians in unusual *combinations* and works, it was attractively fulfilled hy the two-piano performances of Mitsuko Uchida and Jeffrey Tate.

In Schubert's long but charming A flat Variations, D.813, Miss Uchida brought all her wonted sparkle and intelligence to the *primo* part, dashing off melodic flights with wonderful freedom of touch and spirit, while Mr Tate as *secondo* provided a handsomely secnre, full-toned base. Only the occasional fractional differences of rhythmic emphasis suggested that this was not a regular, long-experienced partnership; it is certainly one that deserves further outings.

The two were then joined by José-Luis Garcia (violin) and William Bennett (flute) for Britten's *Gemini Variations* (1965), *originally written for* the Jeney twins, two multi-talented Hungarian children, but here more normally apportioned between four players. The work, a lighthearted tour de force, revives all of Britten's youthful brilliance in facing and solving particular challenges. The cycle of different *permutations* and *combinations* was unfolded in a way to compel hushed, delighted attention – one was sorry when it was all over.

The surrounding Britten and Schubert contributions made the programme overlong, and rather clouded its holiday-outing mood. The Endellion Quartet, this year's resident string quartet, came together with the ECO Wind Ensemble for a performance of the Britten Op. 1 Sinfonietta which was just about presentable, and, as concert finale, one of the Schubert Octet which patently wasn't. If the chance to hear familiar masterpieces in under-rehearsed, scratchy, rhythmically plodding readings is another of the purposes of Summerscope, then it needs to be re-considered with all possible speed.

Max Loppert

Bude's first jazz festival

At least 80 jazz events are scheduled for the first Bude jazz festival being held from August 27 to September 3.

The emphasis will be on informality, with sessions taking place at 19, mostly indoor, small and medium-sized venues in the town, which is on the north Cornwall-Devon border.

Among the traditional and mainstream musicians appearing are the Humphrey Lyttelton band, Digby Fairweather, Cy Laurie, Annie Hawkins and Martin Litton.

Further details on 0288 55551.

Circus Oz: clever physical artistry, imaginatively presented

Circus Oz

EDINBURGH FRINGE

There is a strong Australian flavour to this year's Fringe, thanks to government hicentennial money transporting back the artists. And the performers of the first week to stir the popular imagination have undoubtedly been Circus Oz.

They are at the Assembly Rooms with a show that manages total appeal - to eye and ear, to young and old. The Bakers Dozen in the troop switch from playing rock music to acrobatics, from tumbling to political satire, from fire-eating to slapstick. I liked the Girl Guide getting work experience as an acrobat and as an arsonist, and the performer who carried off a private-eye spoof, clamped upside down to the ceiling of the anditorium, smoking, drinking, and all, dammit.

Anyone with prejndices *against circuses, family entertainment*, even Australians, will have them destroyed by Circus Oz. This is not specious performance art; this is clever physical artistry, imaginatively and good-naturedly presented to great andience enthusiasm until Septemher 3. Even the political pleading is enshrined in slapstick and Circus Oz completely avoids the whimsy of some small-scale circus acts. The group actually manage to make it look dangerous, which is half the spine-chilling battle.

★★★

Yet another Australian putting on a bravura act is Judy Pascoe, formerly with Circus Oz. This year she is appearing in You Can't Go Wrong, an oddly effective cabaret devised by Jack Klaff in which Pascoe, along with John Attila McHenry and Jag Plah follow each other on stage with monologues of antobiographical self-discovery. It sounds pretentious but manages humour, intellectnal etimulation and *some pathos.*

Pascoe's existential account of her search for the World's Last Great Adventure is beautifully controlled, flecked through with wit and original perfections, the metaphysics never becoming self-indulgent. When talking about her Catholic mother, who bought an answerpbone because she had so many questions, she is affecting. McHenry is more latently humorous, the search for quirkiness - "What is the capital of Pizzaland" - more contrived but still with some good lines.

Then comes Plah, an Indian spastic, who taught me more about the life of the handicapped in ten minutes than 100 charity appeals. He has the amazing capacity to relax an audience to teach through humour, and his finale, when dressed as Gandhi he performs Hamlet's "To be or not to be," throwing away his crutches at the climax, crosses over from stage drama to life drama. Yon *Can't Go Wrong is at the* Assembly Rooms until September 3.

Antony Thorncroft

Kate Ceverano

Kate Ceverano is a young Australian jazz singer (21) with a very old voice. She invites too easy comparisons with Billie Holliday and Nina Simone, not because she particularly sounds like either but because she has a big, dominating voice and a powerful, slightly uncomfortable, personality.

She is appearing at midnight at the Assembly Rooms until September 3 and audiences are growing steadily. It is not the best venue for her, and her Australian backing band is sometimes ambitious heyond its talents and sometimes depressingly unimaginative. But there is obvious talent here which only needs experience to curh some nervous inconsequential chatter and restless onstage movements.

Kate Ceverano has a weakness for Latin numbers ("One Note Samba;" "Heart") which rub uncomfortably with her torch song classics such as "Cry Me a River," hut when it all came together, as it did with "Love Me or Leave Me" and the *ambitious* "Catalonia Nights," Kate Ceverano became an instant star.

AT

Oedipus

ALMEIDA

A theme has emerged from the Royal Shakespeare Company's three-play season in Islington. This may be fortuitous, since no coherent conclusion is apparent from the agonising father-son relationships that provide a twisted thread throughout, except that family life is hell. The generation war renews itself constantly, and the victory is not always to the young.

Conventional wisdom has it that Seneca is a text-book figure whose importance lies in the gory language, love of the supernatural and general sense of murky forehoding that so influenced the Elizabetban theatre. On the evidence of this tightly directed, compellingly acted *Oedipus*, he is much more than a theatrical footnote.

Donald Sumpter's production opens in swirling mists to the sound of universal weeping; a good Senecan atmosphere. Oedipus looms out of the fog (lighting: Geraint Pughe). His speech on the plague in Thebes is the first of the short (just over an hour and a half) evening's great monologues. The image of tearing, splitting and opening recurs like a leitmotiv, whether in Jocasta's account of the birth of her child, that blood-nourished knot within her; or the discovery of diseased organs in the sacrificial entrails; or Creon's oracular vision of the earth giving up its secrets.

From which you may have guessed that the company uses Ted Hughes' translation. How much is Seneca, how much Hughes I am unsure; but who's complaining? Througb the gleaming suppuration of the writhing language comes the occasional concrete pbysical image that takes one aback, as when the hlinded Oedipus, "scrabhling with his nails in those huge holes in his face," finally snaps "ribbons of flesh, rags, strings. . ." Here is another justification of the English theatre's greatest glory: its language.

The luxuriant morbidity of the poetry is kept in check by a compact sense of form. When a shocked and finally enlightened Oedipus strides off to prepare for a last confrontation, the cast gets its – and our – hreath hack with a wistful *intermedio* of longing for a quiet life combined with a lament, lyrical hut exasperated, for Icarus. We are reminded of the genre's most notable descendant, via Gozzi, and are suddenly back with Ping, Pang and Pong in *Turandot*, yearning for the peace of home, far from the hloody doings of the great.

John Shrapnel's Oedipus is powerful though slightly held back, I suspect, hy a fear of hamming up that verbal richness which he accordingly counters with the odd deliberate lapse into an everyday tone. Julie Legrand's worried warmth is just right for Jocasta, and she has the necessary big emotional guns in reserve. So does Phil Daniels, a sharp Shakespearian clowu and potential Caliban, whose propbetic visions harshly screamed out in rising frenzy attain quite extraordinary intensity.

Martin Hoyle

Melodrama at the Old Vic

David Threlfall and Sara Kestelman will take the leading roles in Chapman's rarely performed Jacobean melodrama *Bussy d'Ambois*, which opens at the Old Vic ou August 23.

Jonathan Miller will direct the production.

ARTS GUIDE August 19-25

MUSIC

London

Royal Philharmonic Orchestra, conducted by Vladimir Ashkenazy. Strauss and Tchaikovsky. Royal Albert Hall (Mon). (589 8212).
New York Philharmonic Orchestra, conducted by Zubin Mehta. Beethoven, Ellen Taaffe Zwilich and Stravinsky. Royal Albert Hall (Tue).
BBC Symphony Orchestra, conducted by David Atherton with Lucia Popp (soprano) and Thomas Allen (baritone). Britten and Mahler. Royal Albert Hall (Wed).
BBC Philharmonic Orchestra, conducted by Edward Downes with Ida Haendel (violin). Mendelssohn, Alexander Goehr and Beethoven. Royal Albert Hall (Thur).

Paris

Louis Robilliard, organ. Olivier Messiaen, Rachmaninoff, Turnemire. Saint-Germain-des Pres Church (Mon 8.30 pm).
Quator Parisii, with Philippe Cassard (piano). Roussel, Fauré, Beethoven Auditorium des Halles (Tue 7 pm).
Alice Ader (piano). Olivier Messiaen's Les Vingt Regards sur l'Enfant Jesus. Auditorium des Halles (Wed 8.30 pm).
Australian Youth Orchestra, conducted by Christoph Eschenbach, with Tzimon Barto (piano). Graene Koene. Rachmaninoff, Messiaen, Ravel Radio France, Grand Auditorium (Thur 8.30 pm).

Amsterdam

Concertgebouw. Riccardo Chailly conducting the Concertgebouw Orchestra, with Ronald Brautigam (piano). Mozart, Bruckner (Mon). (718 345).

New York

Mostly Mozart Festival. Israel Philharmonic, conducted by Kurt Masur, with Heinrich Schiff ('cello) and an all-Haydn programme (Mon). Mostly Mozart Festival Orchestra, Gerard Schwarz conducting, with the Mostly Mozart Festival Chorus directed by Joseph Flummerfelt: all-Haydn programme (Tue, Wed). Beaux Arts Trio, with a programme of Haydn, Mozart, Mendelssohn (Thur). Avery Fisher Hall, Lincoln Center (874 2424).
Juilliard Concerts. Hong-Ying Ho: violin and piano recital. Stravinsky, Prokofiev. Free concert at IBM Atrium, 56th & Madison, Wed 12.30.

Washington

Wolf Trap Festival. Pop concerts this week include Joan Armatrading (Mon); Kenny Loggins (Tue); Roy Orbison and Carl Perkins (Wed); and Gordon Lightfoot (Thur). (432 0200).

Tokyo

Yomiuri Nippon Symphony Orchestra Summer Festival. Film Music (Mon); Opera Concert (Verdi, La Traviata etc.) (Wed); Concertos (Mendelssohn, Dvorak, Tchaikovsky) (Thur). Suntory Hall (270 6191).

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Monday August 22 1988

Questions of internment

MOUNTING violence in and around Northern Ireland this summer - and especially the systematic killing of British forces - have brought the question of internment as a method of dealing with the IRA to the top of the political agenda. Indeed it has become rather hard to argue against internment in principle. For, if locking up a few dozen, or even a few hundred people could prevent the murder of a few others, who is to say that internment would be wrong?

Thus, it is not the principle that has to be examined; it is the practice. It is not much of an argument to say that internment has been tried before and has failed – in 1971. Presumably, it should be possible to learn from past experience. Besides, the circumstances are different now.

The IRA may have become a vastly more sophisticated military organisation than in the early 1970s, but it is less of a political movement with popular support. Moreover, there is now much more co-operation between London and Dublin. In theory, if the British and Irish security forces acted together, they should be able to cramp the IRA's operations severely by detaining less than 500 people.

Missing link

Yet it is striking that the demands for internment are coming not from the security forces themselves, but from politicians. If the police and the army argued that violence could be significantly reduced by detention without trial, they would have to be listened to seriously. But they are not doing so, and one reason must be that they are aware of the practical difficulties. Those include the strong possibility of some suspects avoiding arrest – after all, if internment were introduced tomorrow, it would hardly have the indispensable element of surprise. There is also the near certainty that British intelligence still cannot identify the full range of IRA supporters. It clearly does not know, for instance, about all the sleepers on the Continent. Not only would internment fail to catch all the right people; it would probably have the added embarrassment of picking up some wrong ones. So internment, when examined, is not being offered as a cast-iron guarantee for stopping the killing.

There is the further point that internment could hardly be introduced as an end in itself. It would need to be accompanied by the promise of political movement of a kind that in time would render the IRA irrelevant. Almost certainly that means greater co-operation between the two parts of Ireland. The chances of that coming about are greater than they were. The constitutional parties in the Republic no longer talk very much about unification. They see the IRA as a common enemy and they adhere to the Anglo-Irish Agreement, the working of which is due for review in November. Yet, the missing link remains the absence of talks between the Ulster Unionists and Dublin and the reluctance of the Ulster Unionists to settle for some sort of devolution in Northern Ireland, such as is on offer under the Anglo-Irish Agreement. Somehow, the Unionists need to be brought into this framework.

There are perhaps two slightly hopeful signs amid the recent carnage. The first is that the IRA has emerged more clearly than ever as a highly professional terrorist organisation. The result is that it should be no longer possible to romanticise the IRA, in Ireland or anywhere else.

Political progress

The second hopeful sign is the review of the Anglo-Irish accord. The Agreement was criticised initially for having been conceived in undue secrecy. The review of its working so far could be a much more public debate. Those who still oppose it might like to envisage how much worse the situation would be today if it did not exist. The next step must be to draw the North more firmly into the accord. Joint declarations of that intention would help. Meanwhile, it is right that internment should be discussed; only so its limitations can be exposed and the need to press for political progress more widely appreciated.

Free riders and free trade

MOST COMPANY chairmen will readily pay lip service to the cause of free trade. They recognise that the profitability of many businesses is ultimately dependent on the maintenance of an open world trading system. Few companies, however, seem willing to back words with deeds. The Trade Policy Research Centre, a small London-based institute devoted to the cause of free trade, is struggling for survival, having run up a cumulative deficit of £500,000 in recent years. The centre, while reasonably adept at attracting research grants for specific projects, cannot raise sufficient corporate subscription income to cover overheads.

The plight of the TPRC may seem a matter of small consequence. Who cares if one small policy group goes under? Indeed, sceptics will be inclined to argue that the centre, if it takes its own free-market principles seriously, ought to welcome closure: its inability to attract sufficient support from the business community is surely a sign that it is selling a product that the market does not value. After all, the sums of money involved are trivial. The TPRC could secure its long-term future by doubling its present subscription income. This would involve raising only an additional £180,000 a year from the international business community – a rather small dent in world pre-tax corporate profits.

Brief fulfilled

Why does the market not support the centre more generously? The argument that the product is of little value is hard to sustain. When Mr Hugh Corbet, the present director, and the late Harry Johnson set up the centre in 1968, they sensed a strong need for an independent organisation that would promote "empirically based research and closely reasoned analysis" of trade policy issues. In the ensuing 20 years, the TPRC has fulfilled this brief. It has launched The World Economy, a quarterly journal on trade issues, the Thames Essay series of pamphlets and a stream of special reports. In the 1980s, it has influenced the trade debate by inviting officials and policy-makers to a series of round-table discussions.

The impact of all this activity is hard to gauge. The centre says that it initiated the debate about liberalising trade in services, was among the first to spot the protectionist pressures building up in the early 1980s, and helped set the agenda for the present Uruguay round of trade talks – by emphasising the need to strengthen Gatt mechanisms.

Flood of claims

Yet companies apparently consider all this of little consequence. The TPRC is regarded as just another worthy cause. Its claims for cash are assessed alongside those of schools and hospitals by the executives in charge of corporate "appeals" budgets. It is being squeezed out partly because companies are facing a flood of claims from organisations of all descriptions as government support for the voluntary sector is wound down.

This is unfortunate. The TPRC may have mismanaged both its finances and its marketing, but it is still a more logical recipient of corporate support than many charities. Ironically, it suffers from a rather virulent form of market failure: the free rider. Companies stand to benefit collectively from the centre's advocacy of free trade, but not individually; indeed, protection often benefits particular sectors and businesses. Mr Corbet, as a champion of the general interests of the consumer, thus finds it difficult to win the individual support of producers.

One solution would be modest public sector funding of bodies like the TPRC. The Department of Trade and Industry's current contribution of less than £1,000 a year might seem an inadequate reflection of the consumer's interest in free trade policies. A more independent solution, however, would lie in more generous corporate sponsorship. Companies are used to backing special interest lobbies; the question is whether they can bring themselves to back a group that lobbies for the economy as a whole.

David Buchan examines plans to bring EC members' VAT and excise rates into closer alignment

The quest for tax harmony

"TO tax and to please is not given to man" is an aphorism of Edmund Burke which Lord Cockfield, the European Community's Commissioner for the internal market, is fond of quoting.

To his cost, he has found that trying to tinker with the existing tax arrangements of EC member states is equally incompatible with pleasing. His term as commissioner is not being renewed by a UK government irked above all by his insistence that the internal market cannot be completed without fundamental changes to the community's pattern of indirect taxes.

But the tax controversy is not just a case of Her Majesty's Government versus the Commission. Other EC finance ministers would agree with the observation of Mr Nigel Lawson, the UK Chancellor of the Exchequer, that he could not recall another Commission proposal "which has been greeted by so many very substantial doubts, misgivings, problems and difficulties".

Both high-taxing and low-taxing countries are dismayed by the Commission's proposal to bring the indirect tax rates of the 12 closer together, while all are anxious about the proposed changes in the method of tax collection and enforcement, but unable to come up with clear alternatives.

In no other area of the Commission's internal market programme, except plant and animal health standards, has there been less progress. Yet the debate is soon to come to a head at an informal meeting of EC finance ministers in Crete in mid-September. That session should make clear whether or not the internal market is to suffer its first major setback.

The starting point is the goal of an internal market by 1992, enshrined in the Single European Act (ratified by all the parliaments of the 12). This is defined as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured." The Commission takes this to mean doing away with intra-EC frontier and customs controls.

What, apart from police controls, is the rationale of frontier posts? Answer: tax checks. Solution: do away with them. Benefit: a collective saving of Ecus 8bn-9bn (£5.2bn-£5.8bn) to governments from not having to man frontier posts and to traders from not having to stop and fill in forms. This, at least, is the saving (worth between 1-2 per cent of the total value of intra-Community trade) estimated in the Commission's recent Cecchini report.

Abolition of internal frontiers would, above all, require a change in the way value-added tax is levied. At present an export from one Community country to another is zero-rated. The exporter gets a refund from his government on all the VAT paid on the ingredients of the exported product and the importer pays VAT on the full price of the import at the rate prevailing in the importing country. Frontier checks are essential: for the importing country to get its tax and for the exporting country to ensure that the zero-rated export really leaves its soil and does not fraudulently re-enter its own market.

What the Commission is proposing is that VAT should be levied on goods crossing EC borders just as it is on goods traded within a single country. That is to say, the exporter would charge VAT on the value added to a product up to the point of its export. The importer would then be entitled to a deduction for that VAT in the same way that he can deduct VAT charged to him on an invoice issued in his own country.

This system would obviously add to the exchequers of countries which are net exporters inside the Community, and

1992 THE EUROPEAN MARKET

take revenue away from the governments of net importing countries – at present all VAT proceeds from EC traded goods end in the hands of the importing country.

On the realistic assumption that member states would not tolerate such a redistribution, the Commission proposed a clearing system. Country A would demand from Country B the equivalent of all the refunds it had paid to its companies importing goods from Country B. Contrariwise, Country A would have to pay to Country B all the tax it had collected on exports to Country B. Payments arising from any net imbalances would be settled through a Commission-run clearing operation.

Officials of EC governments have not ruled this out of court, but have expressed scepticism about the reliability of the claims and payments made on the system by member states. The EC Council's economic policy committee has said the clearing system must ensure that the right amount is paid to the right member state on time, must give no extra chances for tax evasion and must lay no extra administrative cost on governments or companies.

One suggested alternative is that the whole Community go over to that already operated by the three Benelux countries, which have virtually no border checks between them. Exports would remain VAT zero-rated. The importer would not pay VAT until his government later demanded it on the basis of an export invoice or notification sent by the exporting country. This is a variant of "postponed accounting" whereby customs posts simply record shipment, leaving the tax paperwork to be settled behind national borders.

Ironically, the UK was one of the few EC states to have such a system, until Mr Lawson abolished it a few years ago to improve the Exchequer's cash flow. In arguing now for streamlined frontier controls, the UK Government may be hinting that it is willing to return to postponed accounting, as an alternative to total abolition of fiscal frontiers.

Doing away completely with intra-EC border checks would make a change in the present VAT-levying system a technical necessity. In a sense, there is no such inescapable logic requiring the other, much more publicised Commission plan for VAT and excise rate harmonisation. Without such harmonisation, however, when Europe's internal barriers come down, shoppers could freely flock from high-taxing countries to lower-taxing countries and there would be enormous fiscally induced trade distortions. Could Europe live with that? Relatively low-taxing countries like Britain (low on VAT, if not on excise duties) think perhaps it could; high-taxers like Denmark, plus the Commission, think it could not.

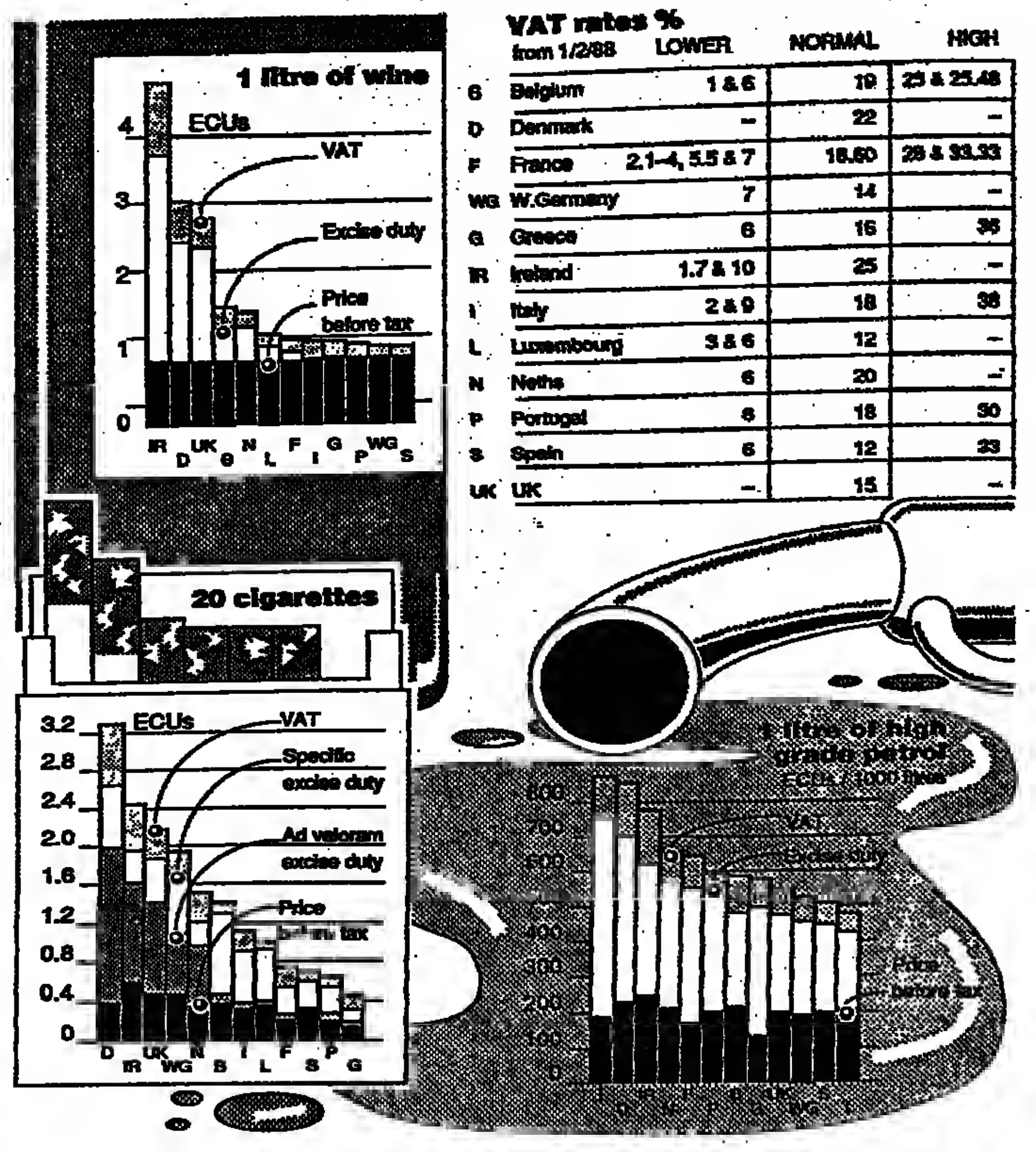
Abolition of internal frontiers would require abolition of personal travel allowances. These currently permit a person to cross an intra-EC border with up to Ecus 350 (£207) worth of goods on which VAT has been paid, plus an allowance of alcohol, tobacco and other goods free of excise duty. Without these restrictions, the EC shopper would be free to exploit the Community's wide span of VAT rates (ranging, at "standard" rates, from 25 per cent in Ireland to 12 per cent in Spain and Luxembourg), and even wider gaps in excise rates.

The distortions would be greatest where the differentials between neighbours are greatest – for instance, between Ireland (25 per cent) and Northern Ireland (15 per cent), or between Denmark (22 per cent) and West Germany (14 per cent). Significantly, both Denmark and Ireland have already tried to restrict use even of the present Ecus 350 allowance to "genuine" travellers and the Commission is taking those Governments to the European Court.

Partly because of the reactions of countries like Denmark and Ireland, the Commission has proposed narrowing the present spread of VAT rates into two bands – a reduced 4-9 per cent rate for those goods which governments, for social reasons, want to keep cheap, and a standard rate of 14-20 per cent.

This has brought protests from low-taxers like Britain, which zero-rates food, children's clothes and books. Similarly, Luxembourg calculates that the Commission's plan to harmonise tax rates (excise as well as VAT) would boost prices by 7.5 per cent, put 6 per cent of retailers out of business and increase unemployment by 1 per cent. Denmark, Ireland and Italy have complained about potential loss of tax revenue.

Harmonising excise duties is an even nastier nettle to grasp. But the Commission has done so. It has proposed a uniform excise duty for all 12 countries.



VAT rates %

from 1/2/88		LOWER	NORMAL	HIGH
B	Belgium	1 & 6	19	25 & 25.48
D	Denmark	–	22	–
F	France	2.1–4, 5.5 & 7	18.60	28 & 33.33
WG	W.Germany	7	14	–
G	Greece	6	16	36
IR	Ireland	1.7 & 10	25	–
I	Italy	2 & 9	18	38
L	Luxembourg	3 & 6	12	–
N	Neths	6	20	–
P	Portugal	8	16	30
S	Spain	6	12	33
UK	UK	–	15	–

Its reason is that VAT is calculated on the price of goods which inclndes excise; therefore any flexibility in the excise rate would have the effect of pushing its proposed VAT bands further apart.

But the rates and coverage of excise duties in the Community are even more random than those for VAT. In addition, unlike VAT, many governments do adjust excise rates regularly to gain revenue and to protect their citizens' health. There is a phenomenal difference between low rates in the south of the Community (where tobacco and wine are grown) and high rates in the more health-conscious north.

Several alternatives have been suggested. One idea, floated by the London-based Institute for Fiscal Studies (IFS), is that the Community could be divided into two or three regions reflecting broad similarities in excise rates, presumably higher in the north and lower in the south. But this would still require some control on trade in excise-dutiable goods, because their high valne relative to their bulk makes them attractive to tax evaders.

Another option – to cope with differing rates in a border-free Community – would be to issue tax stamps on goods to ensure that the appropriate excise duty is paid on sales in each member state. Tha EC Council of Ministers' economic policy committee has given this idea, used in the US, some support.

Yet a further suggestion has come from the Commission. It has proposed a Community-wide system of bonded warehouses to assuage member states' worries about losing revenue to other countries in a Europe without internal borders. Goods could thus circulate freely without attracting excise dnty until they were removed from a warehouse for consumption (and taxing).

Of all the snipers at the Commission's proposals – and there are many – only the UK Government has tried to mount a frontal attack and an economic rationale to go with it. The thrust of the argument is that market forces will naturally achieve mnch of the harmonisation that the Commission is trying to force on member states.

Keep fiscal frontiers and therefore the same means of levying VAT and excise, says the UK, but reduce customs formalities. Progressively expand personal travel allowances, let cross-border trade increase, and allow "the shopping effect" force governments to make their tax rates converge. The convergence would be downwards, thc UK admits.

That is precisely, retorts the Commission, why the market force solution is an impossible option for a country like Denmark. Commission officials note that the UK can conveniently argue for downward convergence because it has relatively low VAT rates and skirts the excise issue because its duties are relatively high.

They agree there is a role for market forces "to do the fine tuning," but, as one EC official puts it, Community action is required to do "the coarse tuning," to bring VAT rates within reasonable distance of one another.

In the end, the dispute turns on the value put on abolishing tha EC's internal frontier posts. If you do not think a saving of Ecus 8bn worth the headache of harmonising taxes, and if intra-EC frontiers have to stay for police purposes, then the UK's line of argument has some force. But it does not impress a frontier-flattener like Lord Cockfield. Like Joshua before the city of Jericho, he seems determined to issue further trumpet calls to bring the walls down.

Articles in this series appear on Mondays on the FT's Overseas News pages.

FROM TEHRAN

Hardships of peace

OBSERVER

■ Tehran hardly looks like one's idea of a city in the last stages of a gruelling eight-year war. Almost the only signs of this are the sandbags piled around the banks – put there, I was told, to prevent an exodus of employees after the city centre was subjected to 52 days of missile attacks earlier this year – and the frequent power cuts.

When the power is on the city is brightly lit, and opposite my hotel a fun fair was going with great brio far into the night. At almost all hours the streets are thronged with cars and people, including young men, and very few soldiers. One truckload of the latter whom I did see in front of me in the traffic were having a great time, laughing and clapping their hands as one of them performed a belly dance in the back of the moving vehicle.

Tehran is buzzing with gleeful tales of rich speculators in the Bazaar who were caught on the wrong foot by Ayatollah Khomeini's sudden decision to end the war by accepting Security Council Resolution 598, as the black market dollar dropped overnight from over 1,000 Iranian rials to under 500. In many commodities the fall was even sharper. Sugar, for instance, plunged from 1,800 to 600 rials per kilo: not good news for the merchant was caught sitting on a stock of 100 tonnes, and promptly had a heart attack. The coronary ward in one of Tehran's main hospitals has allegedly been rechristened "Emergency Ward 598."

Silent diplomacy

■ When Mr David Reddaway arrived the week before last to take charge of the British embassy in Tehran, he found the outside wall of the compound on Ferdowsi Avenue scrubbed newly clean in his honour.

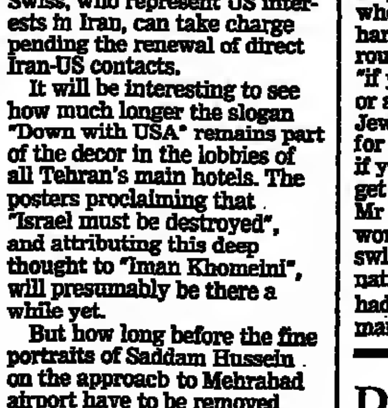
This was a significant gesture of goodwill, or at least diplomatic courtesy, from the Iranian authorities, but regretted by graffiti enthusiasts. The full colour frescoes decorating the embassy during its year-long vacancy were particularly fine specimens of what has become Iran's dominant art form.

Mrs Thatcher was the central figure in several of them. One showed her running away from the Persian Gulf under a hail of tomatoes and eggplants. In another she and President Reagan were seated in conference, on either side of a Dracula-toothed Saddam Hussein (the Iraqi leader). A third showed the same Saddam, in even more monstrous guise, being loaded np with weapons by an eager Uncle Sam and John Bull.

Producing these frescoes is a special skill, often combined with that of churning out the portraits of Ayatollah Khomeini and other dignitaries, usually more than life-size, which adorn the premises of every prudent businessman or bureaucrat. Previously, I am told, the same talents were devoted to advertising the corrupting products of the Western film industry – Star Wars being the last to receive the treatment before the revolution swept such fripperies away.

Spot the enemy

■ Rumour has it that the US embassy (ex nest of spies) will shortly receive the same treatment as the British, and that the Revolutionary Guards who



have occupied it since tha end of the hostage crisis in 1981 will be evacuated so that the Swiss, who represent US interests in Iran, can take charge pending the renewal of direct Iran-US contacts.

It will be interesting to see how much longer the slogan "Down with USA" remains part of the decor in the lobbies of all Tehran's main hotels. The posters proclaiming that "Israel must be destroyed", and attributing this deep thought to "Iman Khomeini", will presumably be there a while yet.

But how long before the fine portraits of Saddam Hussein on the approacb to Mehrabad airport have to be removed in courtesy to a visiting Iraqi delegation ?

Hats off to war

■ The regime has reason to be worried about its supporters, having asked so many sacrifices of them for a victory which in the end it has been unable to deliver. On the morning of August 2, when the people were called out in mass demonstrations to renew their allegiance to the Imam, it was found that hats had been placed on the tombs of the "martyrs" (war dead) in the graveyards of all Iran's main cities. In Persian to "put a hat on someone's head" means, roughly, to pull the wool over his eyes.

Zealous talk

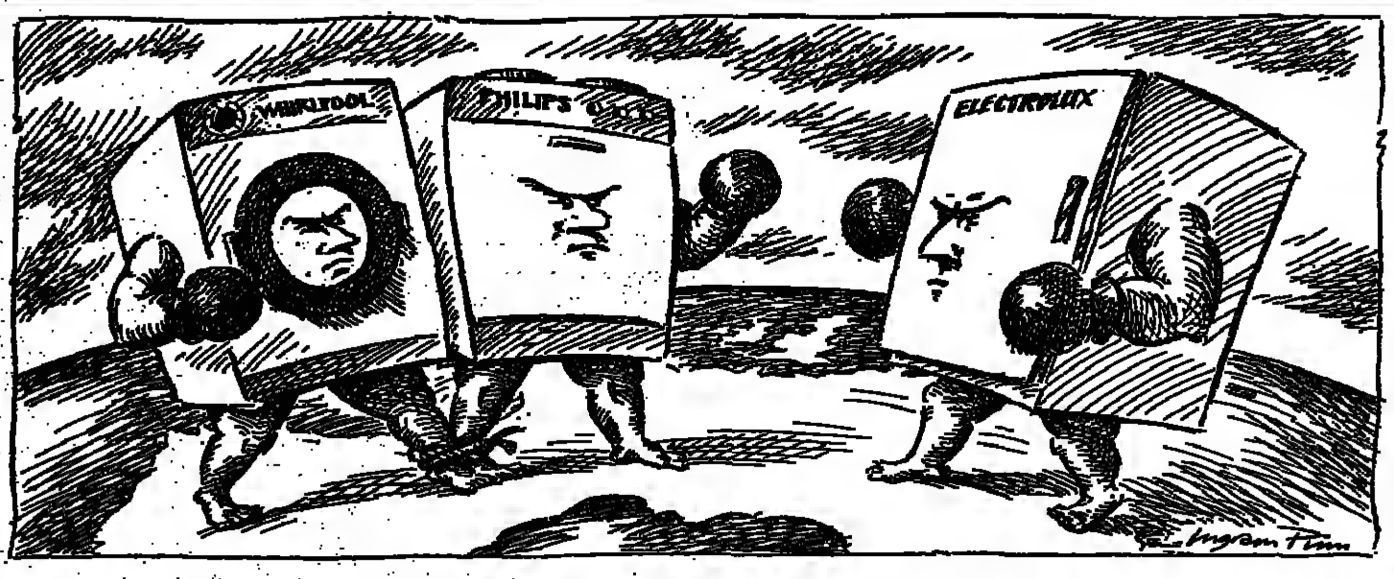
■ The worst of revolutions is the kind of foreign supporter they attract. I found most of the Iranians I talked to, including firmly committed supporters of the regime, quite open-minded on such thorny questions as the objectivity of the Western news media. The main difficulties arose with some of my Moslem fellow guests from countries that have yet *to enjoy* an Islamic revolution, such as Pakistan and Tunisia.

The worst, in fact, was a colleague from Switzerland, of all places – a convert to Islam, who informed the staff of Kayhan newspaper, during a round-table discussion, that "if you criticise in Switzerland, or any country in Europe, the Jewish power, you get sued for anti-semitic defamation, if you print pornography you get money." He regretted that Mr George Shultz, "one of the worst of those American swine," had escaped an assassination attempt: "If Hisbollah had done it they would have managed better!"

Divine Service

■ I like to think Iran's present mood was best summed up by the typed form which appeared in my hotel room the day before I left. "In the name of God," it said, "may we have your comments please."

Edward Mortimer



Preparing for a debut on the international stage

Christopher Parkes, Roderick Oram and **Laura Raun** report on Whirlpool's appliances deal with Philips

Whirlpool has only one washing machine factory.

It occupies most of the surface area of Clyde, Ohio, employs most of the town's population plus a couple of thousand commuters from the rural flatlands around, and it manufactures 3m appliances a year. Its output accounts for half the US market – the equivalent of almost 15 per cent of world demand.

As an example of manufacturing efficiency and flexibility it is a spectacular operation. It runs round the clock, stopping for only five minutes between each of three daily shifts.

In all the leading electric appliance sectors Whirlpool has more than a 15 per cent share of the $12bn (£7bn) US market. Yet it is virtually unknown outside its home country. Suddenly, following last week's agreement to buy a 53 per cent stake in the main appliances division of Philips of the Netherlands, it controls half a dozen home laundry plants and is poised to become a global force to match Sweden's Electrolux.

The deal fulfils Whirlpool's lingering ambition to move abroad – but the dream of world domination held by its chairman, Mr Dave Whitwam, is still a long way off.

Leadership requires a better example than that set by Whirlpool in the 1980s. Net profits have been flat at around $150m a year in spite of a 63 per cent increase in sales from $2.7bn in 1983 to an estimated $4.4bn this year. In the same period profit margins have shrunk and return on equity has fallen from 18 per cent to 15 per cent.

The company has been held back by stagnant markets growing at between 1 and 2 per cent a year, a result of saturation, consumer uncertainty, the heavy costs of takeovers and restructuring and fierce competition.

Whirlpool has spent $1bn on redesigning products and plant in the last four years, and has spent heavily on promotion. But so has General Electric, the company with which it vies for overall market leadership. As a result, both have found it harder to turn lower costs into bigger profits. Similar programmes at Maytag, a leading US domestic appliance manufacturer, and White Consolidated, the Electrolux subsidiary, have not made the going any easier.

Mr Whitwam's recent efforts have included the axing of 10 per cent of salaried staff and reorganisation of the group into seven product divisions, followed last week by its $470m plunge into the international market place.

Before that Whirlpool's overseas connections were limited to a majority stake in an Italian refrigeration compressor business and minority holdings in companies in Brazil, Mexico and India. Now its horizons have been broadened to include a substantial power base in Europe, where Philips has a 12 per cent market share, and worldwide production and distribution links.

Mr Whitwam makes much of the industrial synergies: his company's expertise in dishwashers (a 23 per cent US market share), and clothes driers (50 per cent), will prove fruitful in Europe, where only 20 to 30 per cent of households have these these products, compared with more than 70 per cent for other appliances. But the key to success probably lies in a welding of Whirlpool's manufacturing skills with the marketing and distribution clout which kept Philips number one in Europe until Electrolux swept in and relegated it to second place.

Whirlpool needs international expertise to make a success out of the deal, however, and this seems far from assured. Philips's appliances business has a stodgy reputation, and yet Mr Whitwam has elected to retain the old management. The US group's own executives hardly shone in the battle with GE for control of Roper, the US kitchen appliance manufacturer, earlier this year, and its marketing weaknesses were sorely exposed in the aftermath of its takeover in 1985 of KitchenAid, an up-market dishwasher manufacturer.

Although the business is on the mend, the uprooting of its distribution system and poorly-judged product launches proved damaging. Such mistakes, bad enough in the US market, can be ill-afforded on a global scale, especially if the internationalisation of the appliances business continues at its present pace.

THE WHITE GOODS GIANTS

	Sales ($)	Operating income ($)	Op. inc. as % of sales
Philips appliances[1]	3.11bn	162m	5.2
Whirlpool	4.2bn	265m	6.3
Electrolux[2]	6.23bn	315m	5.3

[1] Includes small appliances
[2] Major domestic appliances

Mr Anders Scharp, chief executive of Electrolux, believes that the emergence of a second global player in white goods will inevitably prompt others to try to match his the two leaders in bulk and geographical spread. "I would not be surprised if General Electric did something now," he said after the Whirlpool/Philips was announced. And there were always the Japanese to contend with.

There would be no shortage of buying opportunities, he said. Past experience told him that large shifts such as Electrolux's purchase of White Consolidated in the US and Zanussi in Italy prompted other, smaller, players to review their strategies and sell out. The Whirlpool-Philips link would probably have a similar effect.

Although Electrolux set itself a mammoth restructuring task with some of its 1980s acquisitions and is even now far from dominant in any important single market, the prospect of confronting an ever-growing giant proved too daunting for many. Electrolux, which has this year taken control of Corbero and Domar in Spain, was waiting for a challenge.

"Now I think Whirlpool will make more opportunities for us," said Mr Scharp. More small, regional businesses like the Spanish acquisitions will come up for sale. And, Mr Scharp suggested, diversified groups seeking to concentrate on core businesses would be among those succumbing – as in the case of TI's Creda division in the UK which last year went to GEC's subsidiary Hotpoint.

Spurred in part by the prospect of the completion of the internal market in 1992, the European appliances industry, is thus moving closer to the pattern in the US, where GE, Whirlpool, White and Maytag have an 80 per cent market share between them. Apart from a handful of specialists like cooker maker Raytheon, there is no competition.

In Europe, four companies currently account for 60 per cent of sales. Electrolux dominates with 25 per cent, well ahead of Philips/Whirlpool and Bosch-Siemens with 12 or 13 per cent apiece, and Ariston/Indesit with a further 10 per cent. The leading group of manufacturers – which also includes AEG, Thomson Brandt and Miele – has some 75 per cent, with the balance left to about 300 smaller manufacturers.

Although national tastes in the design of domestic appliances are still a considerable constraint on true globalisation, flexible manufacturers like Electrolux have shown themselves able to adapt. As national or regional tastes become more homogeneous in the free European market place, the market leaders will be able to tune them to suit their manufacturing requirements.

The process is already under way in the Electrolux empire, which is starting to enjoy the benefits of global purchasing, developing a single components manufacturing and distribution source in Italy, and co-ordinating research, development and design. Increasingly, the group's products will become the same under the skin. According to Mr Leif Johansson, head of Electrolux's appliance division, if it were not for eccentric national tastes in the shape and size of milk containers, the refrigerator would even now be a truly global product as saleable as the microwave oven.

Global potential notwithstanding, Philips clearly lost interest in this low growth business two years ago when it first started talks with Whirlpool. It sees its future in exploiting what it considers the greater growth inherent in its core interests of lighting, consumer electronics, electronic components and information technology.

The investment requirements of these industries are great enough without having to match Electrolux's single-minded commitment to capital and promotional spending on appliances. The Fl1bu (£275m) down-payment from Whirlpool will offer some relief, but Dutch industry observers are looking for more come after three years of falling sales and two of lowered earnings. "The best thing to do is to strip the assets," one analyst said.

Accordingly, more joint ventures and disposals are widely expected – especially since the group's reorganisation into product divisions rather than geographical subsidiaries has rearranged Philips into more transparent, convenient parcels. Medical equipment operations, for example, have been bundled into one unit, making it one of the likeliest candidates for joint venture or disposal.

The consolidated electronics division is a mixed bag of US activities ranging from musical instruments to toothbrushes. It may be publicly floated or peeled apart for sale in job lots. Polygram, the music subsidiary, is another candidate, as is the small kitchen appliances business excluded from the Whirlpool deal.

According to Mr Cor van der Klugt, the Dutch group's president, peripheral activities are to be regarded as ballast. "It's like sitting in a balloon as it is coming down, and thinking what you can do to get it back up," he explained in a recent interview. "You shed the ballast. You may even shed your clothes if the worst comes to the worst..."

LOMBARD

Outdated bias against debt

By Clive Wolman

The surprise decision to refer the £1.7bn bid for Ranks Hovis McDougall to the Monopolies and Mergers Commission highlights the deep and anachronistic suspicion with which British regulators view corporate debt.

The Office of Fair Trading and the Department of Trade and Industry believe that the burden of borrowings on the Australian company, Goodman Fielder Wattie, if it wins its bid for Ranks, may undermine its ability to compete in the bread market.

Projected cash flows from the operations of the newly merged company, even after downgrading Goodman's assumptions, should leave a margin of at least 75 per cent in excess of the interest charges. And a consortium of international banks has put its money where its mouth is by giving Goodman the finance at an attractively low interest rate. But the OFT fears that if the Goodman group faces deteriorating trading conditions, it will have to dedicate all its cash to debt service and will have to slash expenditure on upgrading its sliced bread, advertising it and improving its distribution.

The narrow objection to such fears is that, unless Goodman's management flips, it will not allow a financing constraint to destroy the economic value of the expensively acquired brands. If more finance is genuinely needed to preserve their value more finance will be raised. In extremis, the brands can be sold off.

The wider objection to the government decision is that if a change in the capital structure of a business is deemed sufficient grounds for an investigation, why limit the commission to highly-leveraged takeover bids? Leveraged management buy-outs of companies with large market shares and exchanges of equity for debt – by a share repurchase or special dividend – should also be referred.

More fundamentally, why do the OFT, the DTI and the Bank of England persist in focusing exclusively on the dangers of excessive debt, rather than excessive equity? High borrowings at least ensure that part of the cash generated by a company has to go in interest payments and cannot be used to fuel managerial ambitions.

By contrast, excessive equity acts as a cocoon, protecting the managers from any form of external pressure, either from investors (except in a takeover bid) or customers. The surplus cash is typically dissipated on acquisitions which boost the managers' power and salaries but add little to shareholder or national wealth. The discretionary cash is also deployed in anti-competitive practices such as predatory pricing and over-investment in plant and advertising to create artificially high entry barriers. Most common of all, excessive equity encourages endemic corporate slackness, waste and insensitivity to customer demands.

The collective record of the TSB, British Telecom and British Gas since they were floated on the stock market with far too little debt on their balance sheets has demonstrated these tendencies.

The highly-leveraged takeover bids, buy-outs and exchanges of equity for debt in the US over the last five years have boosted shareholder wealth substantially, mainly as a result of the subsequent gains in the companies' operating efficiency and the cutting of slack. Even the greenmailers, who force corporate managers to buy in shares for debt, have contributed to these gains (while seizing an excessive share for themselves).

What is most disturbing is how completely the UK regulators seem to have been captured by the lobbyists of corporate management with their self-serving anti-debt slogans. A paper on share repurchases just published by the Bank of England's City capital markets committee thrice raises the spectre of greenmail, as if the mere invocation of an evil-sounding name obviates the need for an analysis of its costs and benefits.

Shareholders can only hope that, in its report on the Ranks bid, the commission challenges such outdated prejudices.

LETTERS

The UK still has too few small firms

From Mr Brian Kingham.

Sir, "Subsidies for small firms" (Leader, August 10), is uncharacteristically limited in its assessment.

You comment on two aspects of small firms encouragement raised by the Audit Commission's recent report: the enterprise allowance scheme designed to help the unemployed into self-employment and small business; and the loan guarantee scheme.

The enterprise allowance scheme, far from being (as your article proclaims) a subsidy to small firms, is a pragmatic, cost-effective approach to creating a pathway for a not insignificant number of unemployed people, some of whom already display notable enterprise by indulging in various forms of "moonlighting." It provides modest help during the first difficult year of setting up a business.

The cost to the Exchequer of an unemployed person is approximately £7,500 a year – and to suggest that the enterprise allowance (at £2080 a year) is a subsidy does not add up. Without even taking into account National Health Service (NHS) contributions and income tax, surely it is a reverse subsidy: the unemployed opting to take less from the Exchequer in order to be given the opportunity to have a go at starting a business on their own. The existence of such a hunger for enterprise, and willingness to sacrifice to pursue it, is a triumph.

The loan guarantee scheme is a modest attempt to harness the benefits of a similar highly successful scheme which has operated in the US since the early 1950s. It is recognised in the US that job creation through the small business sector is both highly effective and a sound economic investment.

We need very many more initiatives like the enterprise allowance and loan guarantee schemes. The 90-plus measures the Government claim to have introduced to help small firms are all to be welcomed. Let no-one be in any doubt, however, that the element of public subsidy to the small firms sector – if it exists at all after taking account of the extra NHS contributions and income tax generated – is miniscule.

If an effective means could be found to subsidise small firms, there is an enormous prize to go for. In spite of a recent fairly dramatic increase, the UK still has fewer small firms than any major developed country. The Japanese have more than 7m such firms to our own 1.4m; the West Germans 3.4m.

Neither disparity is explained by their larger populations. Small firms play a crucial part in contributing to the flexibility and vitality of these successful economies, not least in Japan, in acting as highly efficient and responsive subcontractors to the major manufacturers.

In the long run, it is the small firm in the UK which offers the only convincing solution to unemployment, and the birthplace of tomorrow's larger firms.

Brian Kingham,
31 Carlyle Square, SW3

Trains seem designed for strain

From Mr Henry Law.

Sir, Alice Rawsthorn's article on British Rail's design for quality (August 11) refers to the re-thinking of everything in the design of its InterCity trains "from the space between the seats to the colour of the carpets."

Regular users of InterCity trains will be aware that in the latest re-furbished stock "re-thinking" the space between the seats has meant pushing them closer together; today's InterCity carriages now provide standard class passengers with 30 per cent less space than the third class carriages built in the 1950s.

The trains of 30 years ago had the further advantage that the arrangement of seats and windows was co-ordinated so that every passenger could enjoy an unobstructed view of the passing landscape. In present-day trains the view from many seats is obstructed by bodyside panels.

The current fashion for filling railway carriages with banks of seats in an airline-style, uni-directional layout has also resulted in the loss of essential luggage space between the backs of seats. The only place for larger items of luggage is now in racks adjacent to the doorways. There, it is difficult to supervise; and it becomes a cause of tension and anxiety.

The article stated that "InterCity was aware of the need to enhance the experience of train travel, by making both trains and stations more pleasant." How is this achieved by cramming in more seats, eliminating secure luggage space, and depriving passengers of a view of the landscape?

Henry Law,
19 Queen Anne's Gardens, Brighton, Sussex.

Hotol launch might be worth another look

From Mr David Sykes.

Sir, Your correspondent reports (August 15) that the £12m thought to be required to prove feasibility of the Hotol engine is probably not worth spending, in view of the unlikelihood that more than 20 engines will be required for (presumably) four operational Hotol space launchers.

Mr Alan Bond, one-time patent holder of Hotol's engine design, has announced (August 16) that he has been offered £120m from British sources to continue Hotol development to a full proof of concept level.

From such researches I and others have been able to make, it does not seem that Hotol would have a serious competitor for a very considerable period. Initial indications are that the American X-30 project will take many more years to develop than Hotol because of its greater complication and size; and its research and development costs may be from four to six times those of Hotol.

If development is successful, operational Hotols available by the end of this century would command a very wide market (certainly in Europe – and it would not be the first time the UK sold Aerospace equipment to the US). Rolls Royce's estimate of 20 engines reflects a conservatism which may appeal to Rolls Royce shareholders but could be bad for Britain's future technology.

I can see the virtue, for Rolls Royce, in staying with the military and commercial jet engine business. It has been doing well with orders for civil jet engines – and it is going to get its share of the £20bn to £25bn funding needed for the European fighter aircraft.

I was closely involved with trying to sell Concorde. Long before it flew it was felt that its operating costs were going to be considerably higher than conventional subsonic jets.

It seems to be generally admitted that if Hotol succeeds it could offer operating costs only one fifth those available from pure rocket launchers, including the American Shuttle. I cannot help feeling that Rolls Royce is making a weak case against Hotol engines.

David Sykes
The White House
Onchan, Isle of Man

From Mr R.H.W. Bullock.

Sir, You report Sir Francis Tombs's forecast that demand for Hotol launchers will not exceed 20.

This brings echoes of a forecast made in my presence in the early 1950s by another chairman of Rolls Royce – that no more than 12 airliners able to fly non-stop between Britain and the US would ever be needed.

I hasten to add that of course I am not suggesting that Sir Francis's forecast is likely to prove as wide of the mark as his predecessor's.

R.H.W. Bullock,
12 Peterborough Villas,
Bagley's Lane, SW6

FINANCIAL TIMES
Monday August 22 1988

Janet Bush
on Wall Street

Sun sets on the heyday of drought

THE KANSAS City Board of Trade stands on Main Street in Kansas City, Missouri, just opposite a branch of the Mark Twain Bank. Its chief and most traditional function is betrayed by a huge hand-sculpted brass relief above the entrance of a sheaf of wheat.

This is the exchange which trades red wheat futures, the kind of wheat which is used almost exclusively in flour for bread, which accounts for at least 50 per cent of total American wheat exports and is the only US wheat bought by the Soviet Union.

The KBOT was founded in 1856 and is the largest hard winter wheat futures market in the world. As Mr Michael Braude, the exchange's president and chief executive officer, says: "Every time you eat a sandwich for lunch, you are consuming a commodity for which the Kansas City Board of Trade is the world's predominant market place."

Set in the agricultural heartland of America, the KBOT has found itself with mixed fortunes this year.

On the positive side of the balance sheet has been the drought, which sent red wheat futures volume soaring as grain prices and expectations reacted to each new day of dry, scorching heat and every little drop of rain in the mid-west.

On the negative side is the demise of KBOT's other major futures contract – Value Line stock index futures. Since the stock market crash last October, the Value Line pit has gradually emptied and now stands as a rather forlorn reminder of a promising innovation on what had been a very traditional exchange.

Volume of trading in stock index futures in general has fallen sharply since the crash, but the Value Line futures have perhaps been hit harder than competing contracts on other exchanges such as the widely-used and high profile Standard & Poor's 500 contract, traded on the Chicago Mercantile Exchange.

Ms Sandra Pennington, the exchange's articulate marketing vice president, says that volume in the Value Line futures pit is down around 70-80 per cent.

Going into the crash, this contract was the smallest stock index instrument. The Value Line contract, launched in 1982, represented an index of 1,700 shares and was the least blue chip of all stock index contracts. It was thus less popular during the blue chip bull market of the 1980s. Volume in the contract peaked in 1986 and then started sliding.

In theory, the Value Line's inclusion of many second tier and smaller stocks should have made it well suited to trading since the crash, where blue chips have under-performed secondary issues.

But, such has been the backlash against stock index futures that the Value Line pit has never filled again.

Mr Mike Farmer, whose father and grandfather were locals at the KBOT before him, was on the original committee which formulated the idea of the Value Line contract. "I would still like to be trading Value Line contracts if things picked up," he said.

The Value Line contract, which will not be delisted despite current low activity, was part of an attempt at diversification at the exchange which served it well in the years when the wheat market had stagnated.

The exchange is even now working on another contract. Little is known about it except that it will not be a financial or stocks-related contract but will relate to an agricultural commodity.

After the burst of volatility during the drought, even the wheat pit is now expected to quieten down. For years, the wheat market stagnated because market prices were invariably below the prices offered by the Government to beleaguered farmers – no risk, no need for futures.

Things picked up when the Government started giving export subsidies which loosened up another demand sector. Now, however, the Government is working out a drought relief policy. Ms Pennington said initial signs seemed to suggest that, given short supplies of wheat to feed the domestic market, the Government was tending not to encourage export subsidies.

Traders are concerned that their export markets may close up again without Government encouragement. That could mean quieter times ahead for the wheat pit in Kansas City. The heyday of the drought is over.

Solidarity leader awaits government proposals

Walesa postpones strike

By Leslie Colitt in Jastrzebie

MR LECH Walesa, the leader of Solidarity, Poland's banned free trade union, said last night that he had delayed plans for a shipyard strike which would have swollen the country's growing number of labour disputes because the government had indicated it had proposals for ending the stoppages.

The disputes, which have badly hit Poland's mining industry, now involve more than 15,000 workers directly around the country.

The centrepiece of Solidarity's demands is that the illegal trade union, which in its heyday posed a serious challenge to the authority of the Polish government, should be recognised.

Speaking at a 3,000 strong rally outside St Brygida,a church in Gdansk, where the union was spawned by strikes in 1980, Mr Walesa said he had received unspecified proposals from the authorities via a third party.

He said on Friday that he would call a strike at the Lenin shipyard, if Solidarity was not recognised by Monday.

Dockers in Szczecin have come out in sympathy with the miners and defied government orders to return to work or face drastic penalties.

General Wojciech Jaruzelski, the Party leader, held an emergency meeting over the weekend and an announcement afterwards said "appropriate measures" would be taken to deal with the widening strikes. However, last night no details of what action the government proposed to take had been announced.

There were few clues either on how seriously the government viewed the growing stoppages.

Some 67,000 are thought to have been idled as a result of the the stoppages.

One government official said the demands ofthe strikers were "totally unrealistic".

There are fears that the mines in Jastrzebie, where the stoppages started almost a week ago on August 16, could grow into as powerful a symbol for Solidarity as the Gdansk shipyard did in 1980 and 1981.

Striking port workers gather a the gate of Szczecin port

Some 3,000 miners are now holding out in Jastrzebie, a figure which has swollen from 1,200 originally.

Unlike Gdansk there are no flowers or crosses allowed on the padlocked main gate of the Manifest Lipcowy mine. Throughout the day wives and mothers come on foot bringing warm meals wrapped in towels for the strikers inside the mine buildings.

Young policemen look on as the women hand the bowls to their men who joke and show no trace of apprehension despite the government's series of escalating ultimatums.

The older miners were present when the Jastrzebie Agreement was signed on August 30 1980 ending the wave of strikes which had paralysed Poland's southern coal mining region.

The highly-paid coal miners were late in striking in 1980, but offered bitter resistance after martial law was imposed in December 1981.

Jastrzebie, a new "socialist city" of 200,000 with peeling concrete slab housing blocks is, like Gdansk, a melting pot of Poles from the entire nation. The population is young, vigorous and not easily cowed.

Bnt the strikers show no overt sign of hostility as the lollin the sunshine, leaning out of windows and waving to their families on the outside. They say they will continue the strike – which is entering its second week – indefinitely.

A long column of police riot trucks stands on the main road leading into the city and there were unconfirmed reports of troop deployments in the area.

The men still sleep on bare concrete in the same dark blue work clothes they donned for the night shift that began the strike last Monday.

Younger miners have torn up official fly leafs ordering them to return to work immediately.

Polish miners are exempted from national service as coal is the nation's lifeblood and its largest earner of hard currency.

As in Gdansk in 1980 strikers at Manifest Lipcowy mine have their local priest, Father Stefan Czarnecki, solidly behind them.

Father Czarnecki, an ardent supporter of Solidarity, is said to have given shelter in his sprawling modern church overlooking Jastrzebie, to several Solidarity activists.

The authorities retaliated by cutting off the church's telephone and telex line and posting police and security cars near the church.

Leaders of Afghan resistance given US arms pledge

By David Housego in Islamabad

MR GEORGE SHULTZ, the US Secretary of State, has personally assured Afghan resistance leaders of continuing US military support in the wake of the assassination of President Zia-ul Haq of Pakistan.

He told them: "You know how much we admire what you do and we will continue to support you."

Mr Shultz was lobbied by representatives of the resistance as he was leaving President Zia's funeral in Islamabad on Saturday. They expressed fears that the death of President Zia-ul Haq could lead to a reduced flow of arms to guerrilla groups.

Mr Gulbuddin Hekmatyar, speaking for the seven-party alliance which makes up the resistance movement, asked for more weapons and said that with President Zia's death, "we feel your responsibilities have increased."

Mr Shultz said: "We will do all we can to see that you, and we, succeed."

The Geneva Accords on the withdrawal of Russian troops from Afghanistan stipulate that US assistance to the guerrillas will cease when the Soviet Union stops providing military aid to Kabul. The accords also forbid the use of Pakistan as a base for resistance activity.

Several hundred thousand people came to see President Zia buried in the grounds of the newly-inaugurated King Feisal Mosque in Islamabad. It is thought that his death may make possible substantial change in Pakistan's domestic political landscape, and in the longer term, a shift of emphasis in its Afghan policy.

At a press conference after the funeral, President Ghulam Ishaq Khan played down the army's role in Government and repeated his pledge of elections in November with the possibility of candidates being able to campaign on a party label.

Some observers in Islamabad believe President Zia's death makes a compromise between the resistance movement and the Kabul regime more likely. Lending weight to this view, Mr Mohammed Khan Junejo, the former Prime Minister said he favoured the forming of an interim Government that brought together all the people of Afghanistan.

Mr Junejo is thought to be a strong candidate to take up the job of prime minister after elections. Mr Shultz made a point of seeing him during the visit.

In contrast to Mr Junejo's view, President Zia was, before his death, urging the resistance movement to seek a military victory in Afghanistan, to an extent that had some resistance leaders indignant at Pakistan's increasing involvement in military operations.

Over the weekend, Pakistan's new military leadership joined with Mr Shultz in trying to reassure the Afghan leaders that there would not be a demoralising slowdown in the flow of arms and support.

General Aslam Beg, chief of army staff, warmly embraced the resistance leaders at the funeral.

New leader; Page 3

THE LEX COLUMN

Coming up from down under

THE AUSTRALIAN stock market had the dubious distinction of being both the best, and worst, performing market at various times last year. But so far this year its performance cannot be faulted. In a period when rising world interest rates have injected considerable uncertainty into the outlook for tha world's major bourses, Australian share prices have continued to move ahead. By the end of last week the Australian All ordinaries index was less than 20 points shy of its 1988 peak and the FT-A Australian index, measured in sterling terms, has shown a rise of close to 60 per cent so far this year.

Although buoyant commodity prices – particular wheat and wool – are par of the explanation, and foreign investors have been helped by the steady appreciation of the Australian dollar, the strength of the Australian market has caught many global investors off-guard. The trigger for the recent rally was last May's mini-budget when corporate taxes were cut, and changes in pension fund taxation led to a surge in demand fromdomestic institutions for the franked income of companies like BHP and the big banks.

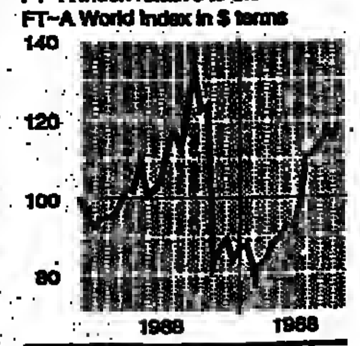
This comes at a time when corporate profitability is already rising rapidly. Bain & Co, for example, estimates that over the next few weeks, when the bulk of the Australian corporate sector will begin reporting their annual figures, industrial companies are likely to show average earnings growth of 20 per cent, while resource companies will show average earnings gains of well over 50 per cent. The tax cuts should help industrial companies, at least, to boost their earnings by a similar amount in the current year.

Tomorrow's Australian hndget is unlikely to have anywhere near as dramatic an impact on Australian equities. Nevertheless, there will be a number of pointers, such as the size of the hndget surplus, and any indication of the scale of planned foreign debt repayments, which could boost sentiment. The Government, which would dearly love to regain the country's Triple A credit rating, will underline the healthy state of the economy. Meanwhile, the bigger the budget surplus the more room it has to use tax cuts next year as a way of ensuring continuing wage restraint, while increasing its chances of re-election.

All of this is relatively good news for Australian equities and the prospective multiple of 9 for the industrial sector does not look particulalrly demanding hy historical standards.

Australia

FT-A Index relative to the FT-A World Index in $ terms



However, there are a number of reasons for adopting a relatively cautious stance. Tha Australian dollar is at its highest level for two and a half years, and any further appreciation could be damaging. In addition, efforts to curb global inflation will work against Australia'a commodity exporters, particulalrly if they increase the risk of a serious recession.

Traded options

The Monopoly and Merger Commission's sudden interest in the price of hread can be presumed to please all sorts of people, but none more so than the officials of the London Traded Options Market. Last month they launched a new product: limited life traded options, designed to exploit the volatility of hid stocks. But when they chose to experiment with RHM, the market questioned whether a bid which seemed ao unlikely to be referred would generate enough volatility to make the options look interesting.

Buying options on the share was relatively cheap as a result; and those who spent a sage 11p or 12p for a September 460p put option three weeks ago must now be thinking that, as insurance policies go, that was cheap indeed. For when RHM's shares fell 50p to 403p on news of the MMC reference, they could sit back and enjoy watching the red on the screen; their capital gain was not at risk, and the vaine of the option itself had more than quadrupled. The LTOM could scarcely have hoped for a better advertisement for a product which can take some of the pain out of bid situations, without destroying the pleasure.

British Gas

Tha market's attitnde towards British Gas tends to be as unshakeable as the company itself, and the feelings aroused by the imminent MMC verdict on its industrial gas pricing are a case in point. Indeed, reports that the company's effective monopoly in the North Sea gas market is about to be forcibly broken, have if anything served to boost the share price. The market seems to be relieved that British Gas will apparently be allowed to go on operating a largely opaque pricing system for its industrial customars, and regards any other provisions that the MMC may suggest as mere details.

Such complacency may not be as foolish as it seems. For one thing there is much in the small print that could substantially weaken any proposed change in the rules. Even if British Gas ware prevented from huying more than 90 per cent of any North Sea field, the long lead times involved would postpone any effect on its earnings for several years. Longer term, such a move could be critical if the claims about the extortionate gas pricea it charges industrial customers are to be believed. And that is something that both sharcholders and potential competitors will soon find out, if British Gas is forced to provide a more helpful break-down of its results.

Hard Rock

Some shares are created more equal than others. That is what two-tier voting structures are all about and Hard Rock's "A" shareholders can be forgiven for complaining that they are being discriminated against as a result. Pleasurama is offering them 100p for their restricted-voting shares, while ordinary shareholders receive 132p; but some forms of discrimination are more justified than others, too, and this form is hard to quarrel with. Takeover Panel rules require that Pleasurama make a comparable offer for all classes of shares, and because the "A" shares have tended to trade at a hefty discount, the offer price is similarly reduced.

The largely American shareholders are understandahly annoyed that, having stumped up $16 each for five-unit ADRs just over a year ago, they are now being forced to sell out at around $8.50. They might, however, have thought of that when subscribing for shares which represent 28 per cent of the equity but under 4 per cent of the votes – virtually ensuring that the shares would trade below the ordinaries. Their faith in the Hard Rock directors was touching, but apparently misplaced; others who consider becoming second-tier citizens may wish to take note.

Distress claim against insurers overruled by Californian court

BY NICK BUNKER IN LONDON

INSURERS in the US have won a nine-year struggle to overturn a landmark legal ruling which allowed accident victims to sue insurance companies for damages caused by the emotional distress of waiting for a claim to be paid.

The California Snpreme Court decided late last week in San Francisco to reverse its 1979 decision in the Royal Glohe case which, insurers alleged, had been responsible for escalating claims and costly litigation.

Soma lawyers interpreted the decision as an indicator that the judiciary in California – long regarded as the most liberal in the US – has shifted towards taking a more favourable attitude towards the insurance industry.

Mr Roy Wetherup, an attorney with Haight, Brown and Bonesteel, a Santa Monica law firm acting for Fireman's Fund, the US insurance group which won last week's ruling, said: "In every injury case in California the plaintiff cites the Royal Globe decision."

The ruling has come at a politically sensitive time, however, because the California Trial Lawyers' Association and consumer groups are locked in hattle with the insurance industry over the soaring price of motor insurance in the state. The trial lawyers are already trying to have the Royal Globe decision made statutory and will be ontraged by last week's Supreme Court move.

The original 1979 Royal Glohe decision arose from a case involving a US subsidiary of the UK's Royal Insurance. Royal Globe was sued by a person who slipped and fell in a California supermarket insured hy the company.

The decision in the case gave injured third parties the right to aue insurers under local unfair trading practices laws if they failed to settle a claim promptly.

Mr Stephen Ashley, a San Francisco attorney, said that this allowed injured parties the right to recover two lots of damages from tha insurer; first, the actual injury claim, and then a second claim for pain and suffering.

"The utility of it for the plaintiffs' attorneys was that it gave them leverage over the insurer in settlement talks," he said. "The threat was always lurking in the background that if the company didn't pay quickly the third party would sue under Royal Globe."

The Royal Globe decision caused lagal controversy throughout the rest of the US, and it was applied in only four other states – Connecticnt, Montana, North Dakota and West Virginia – because it appeared to give plaintiffs too broad a right to sue insurers.

Legal developments in California are highly significant for the whole US property/casualty insurance market because the state accounted for 15 per cent of the industry's $198bn of premiums in 1987.

Hunt brothers manipulated market

Continued from Page 1

tecting investors against market manipulation."

Lawyers defending the Hunt brothers were unavailable for comment.

Two of the brothers – Mr Bunker Hunt and Mr Herbert Hunt – were found liable on all counts, including racketeering. The third hrother, Lamar, was found guilty on all counts except racketeering.

Also found liable were Mr Mahmoud Fustock, a businessman and hrother-in-law of the crown prince of Saudi Arabia; the International Metals Investment Company, incorporated in Bermuda and jointly owned by Bunker and Herbert Hunt; and two Saudis, Mr Mohammed Aboud al-Amoudi and Mr Ali bin Mussalem.

The Hunt hrothers have always maintained that their huge purchases of silver and silver futures contracts in late 1979 and early 1980 were not part of a conspiracy.

However, tha Manhattan jury clearly believed that the brothers had coordinated their purchases to drive up the price of silver.

The brothers became victims of their own market manipulation, sustaining estimated losses of more than $2bn when panic selling of silverware and jewellery by investors seeking to take advantage of vastly inflated silver prices led to a glut and bullion and futures prices collapsed.

Although the Hunt brothers have placed a family trust in bankruptcy in an effort to protect themselves from damages awards, they are still believed to have a large personal fortune which has never been put under protection of the US bankruptcy code's Chapter 11.

US regulators rescue thrifts

Continued from Page 1

Federal regulators were forced to tackle the eight thrifts themselves after takeover bids from new investors were deemed too low. Investors were vary wary of the deep financial and legal problems of the thrifts, some of whose former executives have already been indicted for fraud.

The bale-out is the largest ever undertaken for a US thrift or bank.

The new Sunbelt has some $6.9bn of assets

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	29	84	Malta	F	31	88	Rhodes	S	28	82
Algiers	S	32	90	Edinburgh	F	16	61	Manchester	C	15	59	Rio de J'o	C	33	91
Amsterdam	C	17	63	Faro	S	32	90	Manila	F	34	93	Rome	F	29	84
Athens	F	36	97	Florence	S	28	82	Melbourne	R	11	52	Salzburg	C	17	63
Bahrain	S	38	100	Frankfort	R	23	73	Mexico City	C	23	73	San Francisco	C	21	70
Bangkok	F	31	88	Funchal	F	24	75	Miami	S	27	81	Seoul	C	28	82
Barcelona	R	18	64	Geneva	R	21	70	Milan	S	26	79	Singapore	C	30	86
Beirut	F	33	91	Gibraltar	S	30	86	Montreal	C	22	72	Stockholm	F	20	68
Belfast	C	13	55	Glasgow	F	15	59	Moscow	F	16	61	Strasbourg	F	19	66
Belgrade	F	36	97	Guernsey	F	17	63	Munich	C	18	64	Sydney	F	23	73
Berlin	C	20	68	Helsinki	R	15	59	Nairobi	C	20	68	Taipei	F	37	99
Biarritz	C	19	66	H. Kong	F	30	86	Naples	S	30	86	Tangier	F	25	77
Bombay	F	30	86	Innsbruck	C	15	59	Nassau	C	31	88	Tel Aviv	F	32	90
Bordeaux	C	17	63	Inverness	C	13	55	New Delhi	C	28	82	Tenerife	S	27	81
Brussels	R	15	59	Islamabad	-	—	—	New York	S	20	68	Tokyo	F	31	88
Budapest	C	23	73	Istanbul	F	31	88	Nice	C	26	79	Toronto	F	23	73
B. Aires	F	21	70	Jakarta	F	33	91	Nicosia	S	41	106	Tunis	S	34	93
Cairo	F	37	99	Jersey	C	16	61	Oporto	S	22	72	Valencia	C	23	73
Cape Town	-	—	—	Jo'burg	F	22	72	Oslo	S	19	66	Venice	F	28	82
Caracas	R	25	77	Lima	C	17	63	Paris	R	19	66	Vienna	F	18	64
Casablanca	F	25	77	Lisbon	S	23	73	Peking	S	28	82	Warsaw	F	29	84
Chicago	C	28	83	London	C	15	59	Prague	F	18	64	Washington	-	—	—
Cologne	F	19	66	Los Angeles	C	25	77	Reykjavik	R	10	50	Zurich	C	17	63
Copenhagen	F	21	70	Luxembourg	R	16	61								
Corfu	S	30	86	Madrid	C	34	93								
Dallas	S	27	81	Majorca	C	28	82								
Dublin	C	15	59	Malaga	S	29	84								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bush gains despite row

Continued from Page 1

vote for for President. Mr Dukakis had been ahead in most polls in recent weeks, although the gap was narrowing in the week before the convention.

Mr Bush, campaigning in the Midwest with Mr Quayle by his side, told a rally in Columbus, Ohio, on Saturday that the controversy over his service in the National Guard was "behind us."

In his first public comments on the controversy, he said the American people liked fair play and respected the way "the man stood there and answered questions."

Mr James Baker, his campaign chairman, conceded on Thursday that the selection of Mr Quayle had done some damage to Mr Bush's presidential election campaign.

The questions about Mr Quayle relate to his enlistment in the National Guard in 1969 and whether he used the connections of his wealthy publishing family to rednce the risk of being sent overseas to fight. At that time, national guardsmen were not being sent to Vietnam.

Mr Bush's decision to stick by Mr Quayle has paid off so far, hut it has left Mr Bush on the defensive

FINANCIAL TIMES
COMPANIES & MARKETS
Monday August 22 1988

INSIDE

Racal taps into Vodafone success

The success of its Vodafone unit has provided the springboard for UK electronics group Racal to challenge other mobile telecommunications sectors. Gerry Whent (left), chairman of the Racal Telecommunications Group, is faced with the costly assembly of further intricate infrastructure - and perhaps many years of losses - before the success of expansion plans in Britain and continental Europe can be determined. Page 19

A call to cultural revolution

Under intense competitive pressure, many European and US companies have launched ambitious improvement drives, only to see them founder on internal resistance from workers and managers. Christopher Lorenz, in the Business Column, examines why the only solution to the problem may be fundamental changes in corporate culture. Page 30

Playing safe with Eurobonds

Corporate borrowers' share of the dollar Eurobond market has been declining steadily since 1985, falling to less than 15 per cent of all dollar borrowings in the months following October's stock market crash. In 1988, with few exceptions, only household names have proved attractive enough to overcome investor insecurity about credit quality and liquidity. Page 16

Conservative stand on capital

Canadian bankers argue the Government has been excessively conservative in establishing a local version of new international capital standards, which will affect all domestic and foreign-owned banks from November 1. The president of the Canadian Bankers Association says the institutions will be at a disadvantage against US, British and Japanese counterparts. Page 18

Liners embark on long voyage to prosperity

Kevin Brown examines the social and financial upheaval in the world cruise market

Cruising is in danger of losing its social cachet. More than 3¼m people will take a holiday at sea this year, twice as many as six years ago. If forecasts are right, the North American market alone could hit 12m by the end of the century.

It was growth prospects on this scale which prompted last week's attempt by Carnival Cruise Lines, the third biggest operator, to buy 36 per cent of Royal Admiral Cruises, the second biggest.

But the Carnival bid was only the latest stage in a game of leap-frog as the big players seek to consolidate their dominant position, and smaller companies look for a way of staying afloat.

The shake-out began earlier this year, when New York-based Home Lines Cruises sold one of its two ships to Premier Cruise Lines of Florida, and the other to Holland America Line of Seattle.

Royal Caribbean Cruise Line (RCCL) and Admiral Cruises, both based in Miami, then merged and created a fleet of eight ships and nearly 9,000 berths, under the name Royal Admiral Cruises.

The merger briefly propelled Royal Admiral to the top of the world cruising league with seven ships and just over 8,000 berths.

Within months, the UK's Peninsular and Oriental Steam Navigation (P & O), had tied up a $210m deal to merge its Princess Cruises subsidiary with Sitmar Cruises of Los Angeles.

With the inclusion of the liner Canberra, which is marketed separately, the deal gives P & O a North American fleet of 10 ships and 9,770 berths. This will expand to 13 ships and 14,440 berths by 1991.

The latest phase in the shake-up was announced last Wednesday when Gotaas-Larsen, the Bermuda-based bulk shipping group, said it had agreed to sell its 36 per cent stake in Royal Admiral to Carnival.

The deal could yet be blocked by *Norwegian shareholders in* Royal Admiral, who say they have a right of first refusal over the Gotaas-Larsen stake. But if Carnival wins control it will have a combined fleet of 15 ships and over 17,000 berths.

The cruise industry has its roots in the transatlantic passenger liners operated between the wars, which cruised the Caribbean in the winter, when the ships could not be operated in the north Atlantic.

They do not mention it much at Cunard, but the mass market was virtually invented by Adolf Hitler in 1935, when 120,000 Germans went on voyages to Norway and Portugal as part of the Nazi *Kraft durch Freud* (strength through joy) programme.

After World War Two, Greek and then Norwegian owners took up the running. Second hand passenger ships could be bought relatively cheaply, and there are few of the regulatory or capacity restraints which affect other transport sectors such as the airline industry.

Most of the new entrants concentrated on North America, which accounts for at least 75 per cent of available berths, and is expected to carry 3m people this year. As a result, the market has become fragmented, with 37 companies operating from North American ports, many with just one ship, and most with less than three.

At the same time, increasing affluence has created a market for cheap cruises, usually of less than seven days, for people who could not previously have afforded a holiday at sea.

Mr Arnulf Hader, cruise analyst at the Institute of Shipping Logistics in Bremen, says these two trends have put pressures on the bigger operators to protect themselves by running ships in all market sectors, and on the smaller companies to find themselves a market niche.

Mr Dan White, of County NatWest, the doyen of London shipping analysts, says demand expanded at more than 11 per cent a year in the North American market between 1981 and 1986, and is likely to continue to expand at an annual rate in excess of 10 per cent.

This substantially exceeds growth in supply, which is estimated by the Cruise Lines International Association, the industry's trade body, at 7.7 per cent a year up to 1987 and 8.1 per cent up to 1992, after taking account of new ship orders.

There are no bears in the cruise industry. Mr Jim Davis, a director of Kleinwort Benson, and a former cruise executive, warned two years ago that the industry might be heading for the same fate as as the tanker sector, which sank into deep recession in the early 1970s partly because no-one believed the preceding boom years could ever end.

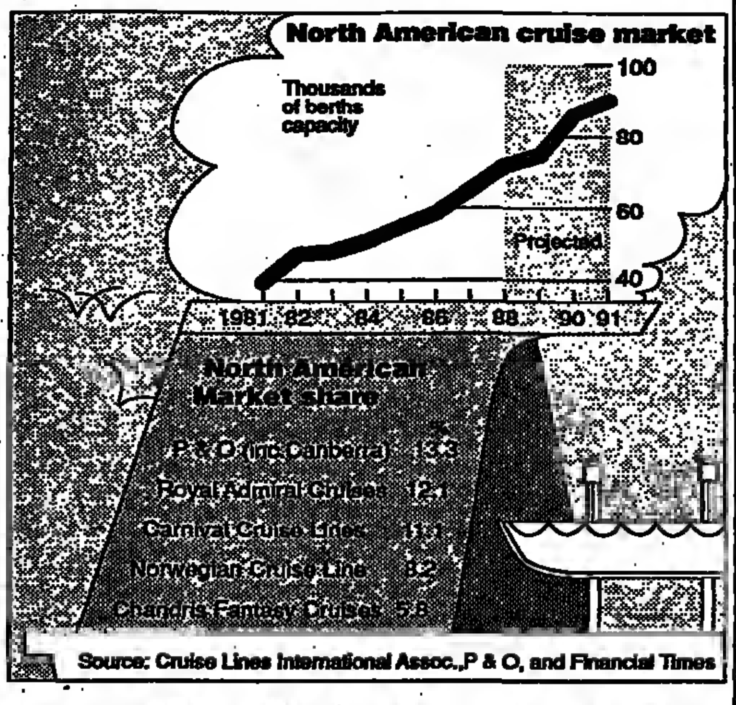
Now Mr Davis says he is "a qualified bull," conceding that the industry has shown a remarkable facility to sustain expansion. "I hope I shall continue to be proved wrong, but I shall continue to preach caution," he says.

Mr Kirk Lanterman, president of Holland America Line, and chairman of the Cruise Lines International Association, says the cruise industry has "come of age" in the 1980s.

"The industry today is, for the most part, well-financed and well-managed.

"The lines that will stay healthy and survive are those that either become larger in order to capitalise on the economies of scale or they will become smaller, specialised boutique lines."

Mr Lanterman says Holland America Line is not being stalked by another operator, as far as he knows, but admits to regular talks with other companies. "Our plan is to stay independent, but it would seem to be a little more difficult than it could be," he said.



Source: Cruise Lines International Assoc.,P & O, and Financial Times

Volatility draws the crowds in the Rockies

Anthony Harris
in Jackson Hole, Wyoming

A DUKAKIS administration would certainly be advised to impose a new tax on stock trading. Even if Mr Bush wins the election in November, a Democratic Congress may well go ahead on its own, since the idea has already been floated by the Speaker of the House Jim Wright some time ago.

It is not clear who thought of it first but another long standing supporter is Professor James Tobin, the father of financial economics, and he says that the idea really comes from Keynes's analysis of the financial markets published 55 years ago. The idea is to discourage short-term speculation by making it more costly; and Professor Tobin also proposes an ingenious speculative gains tax, which would not only be at a higher rate than capital gains tax, like the old Selwyn Lloyd tax in Britain, but would allow no offsetting of short-term losses. Professor Lawrence Summers, Mr Dukakis's adviser, clearly shares Tobin's distaste for speculative markets, and admires his proposal.

It may seem strange that this news should come from a mountain resort in Wyoming; but it is here that the Federal Reserve Bank of Kansas City holds an annual conference on a major policy question. The record of past conferences, and the astounding beauty of the setting, now attract a veritable summit conference, a near-quorum of the Federal Reserve Board, a Who's Who of Wall Street and a faculty of professors.

Professor Tobin confessed himself a Jackson Hole groupie, and he was not the only one. All that was lacking was a senior adviser from the Bush camp, but Mr Richard Darman and Professor Michael Boskin had a previous engagement in New Orleans.

The setting was in fact oddly appropriate for a meeting on financial volatility. It is dominated by the skyline of the Grand Teton range, which looks like the chart of a market convulsion. To the north, the sky was grey with the smoke of the great fires in Yellowstone National Park. Some read this fire as an example of a self-perpetuating disaster; others shared the view of the Parks Administration that it is a process of creative destruction, which enables the forest to renew itself. Joseph Schumpeter thought this was a necessary part of economic evolution, too. In the present context, markets investors and governments should get shocks from time to time.

Do market accidents, like the one last October, cause any harm if they are properly managed? More fundamentally, do free, competitive financial markets cause any good to the economy at large, even when they are functioning rather more smoothly? Perhaps the most interesting outcome of this meeting was the fact that nobody offered even to try to prove that financial markets matter much. The best their defenders could do was to suggest that the burden of proof rested with those who said they did not, which is remarkably lame.

It does look as if, in America, financial freedom is going the way of free floating and of monetarism - one of yesterday's fads. Despite the renewed efforts of Professor Milton Friedman to revive both these ideas, the intellectual climate in the US now appears ready for intervention and control. This is not a party matter. The new Treasury Secretary, Mr Nicholas Brady, went on arguing for the controls he proposed in his report on the October crash right up to his appointment, although they had been rejected out of hand by the Administration.

Mr Brady's main proposals (trading pauses, and higher reserve requirements in the futures markets) were handled pretty roughly by this conference; but there was no consensus on anything else, either. Mr Lyle Gramley, a Fed Governor of the Volcker era, summed the discussion up bluntly: "We have been faced with three questions: What causes financial market volatility? How much harm does it do? and what measures might reduce it? We have given a clear answer to all three: We don't know."

This is true, but also unfair. First, the mystery was not so much that nobody could explain why prices are volatile, but that there were too many explanations on offer. All of them were suggestive, but all were unproved.

Mr Lou Margolis, who runs equities and futures for Salomon Brothers, said that investment houses could not afford to stabilise the market as they did in the days of fixed commissions (and as the Japanese still do); but nobody suggested restoring the old cartel. Other blamed the changes in company finance; if markets were dominated by takeovers and equity buy-ins, prices would not reflect fundamentals.

Three professors, however, argued that the buy-ins and buy-outs reflect a very healthy trend to return control to managers rather than outside shareholders (a view known, for reasons which escape me, as the back-to-the-wall theory). Still others blamed unbalanced government policies, which made the fundamentals themselves volatile. All true, and all unquantifiable.

Our own Professor Charles Goodhart, the man who subverted British monetarism with Goodhart's Law (which states that any monetary aggregate chosen as a target loses its former meaning within months) had another subversive thought to offer. If prices are volatile, he pointed out, sensible traders cannot concern themselves with fundamentals; they are bound to spend their time trying to out-guess their fellow traders. But if markets are not efficient in this sense, what is the good of them? It was a bad conference for efficient market theory, and therefore a good one for those who favour interference.

What was not clear, despite all this analysis, was whether anything needed explaining in the first place. So far as stock and commodity prices were concerned, Professor Robert Shiller of Yale presented some historic charts showing that only interest rates and exchange rates are much more volatile than they were a generation ago. No-one refuted his figures. "It's *deja vu* all over again", as somebody commented. Considering the ancient parentage of some of the ideas now coming back into fashion, that applies to the discussion as well as to Professor Shiller's charts.

Except for exchange rates. These are certainly more volatile, and all but one agreed that this is harmful; but nobody was ready to believe that it would be possible to get back to fixed rates. The practitioners from the IMF and the Bank for International Settlements like policy co-ordination; those not privileged to lecture governments seemed on balance to prefer target zones. All agreed, though, that what will actually be done is whatever the US Treasury Secretary in the next Administration is ready to accept; and if they follow their advisers, that means co-ordination rather than target zones. In other words, politicians will still prefer to try to make the rules up as they go along. It's *deja vu* all over again.

UK GILTS

Running the currency gauntlet

IN ITS modest way the OECD pointed out one of the critical problems over-hanging economic policy in Britain today: the extent to which policy has to run the gauntlet of the currency markets.

Although the authorities now appear to be in a wait-and-see mode, there was a growing feeling last week that money markets were less inclined to wait for a rise in rates, given what they saw about domestic economic activity from the figures.

If domestic markets are getting restless, what of foreign exchange markets? Sterling has been side-lined for the past weeks and not even last week's indicators, which pointed to higher rates, managed to affect it.

One quotation is sufficient to give the flavour of the OECD's concerns.

"An abrupt change in market sentiment in response to the worsening external position, could lead to a reversal in capital flows and strong downward pressure on the exchange rate. This could result in higher interest rates, higher inflation and weaker activity than projected."

No one is suggesting that the publication of July's trade figures this week will mark the abrupt change in sentiment. There must be, however, a limit to which foreign capital will continue to flow into Britain at current prices, given a current account deficit of £5.6bn ($9.5bn) so far and probably up to double that for the year as a whole.

The limit of foreign tolerance must, in some way, be affected by the extent to which the monetary tightening shows up in the official data and the likelihood of that in turn being reflected in an improving external position. In terms of timing, that means figures for September and October will not be reported until October and November.

It is also possible that the recent tightening will not be enough to claw back growth in domestic demand sufficiently. Simulations on the Treasury's model, conducted by Mr Neil MacKinnon at Chase Manhatten Securities, suggest that interest rates in the region of 13 per cent may be required to slow domestic demand to a level consistent with long-term supply potential.

Interest rates at this level are required because of the policy "strait jacket" the Chancellor has decided to don due to his aversion to demand management. In the latter context the OECD also had some things to say. It suggested that if demand was still strong early next year the Government should adopt a restrictive fiscal policy.

The mention of a tightening was widely interpreted as a call for higher taxes next year. But a fiscal tightening can, of course, be achieved by a larger than projected public sector borrowing requirement (PSBR) surplus.

On current trends in the public finances a PSBR surplus of around £10bn, but possibly up to £15bn, is now in prospect. Expenditure may not grow by anything like the Treasury's estimate of 6 per cent, while revenues are growing by around 10 per cent compared with a forecast of 6 per cent.

Such an outturn would allow the Government to go into next financial year with a much larger PSBR surplus than it projected in March and so achieve the necessary fiscal restraint.

There is, of course, a specific gilt market implication in the improving fiscal situation. Mr Nigel Richardson of Warburg Securities points out the dramatic improvement in the PSBR means that the Bank will have to increase significantly its buying-in activities in the coming months.

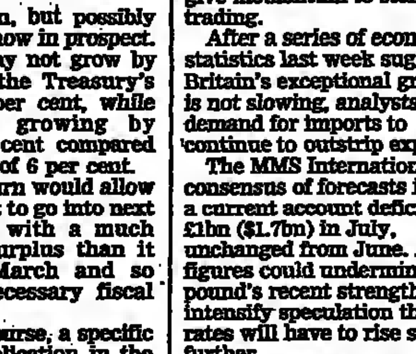
He estimates that the Bank bought in about £1bn of stock with more than a year to maturity in the first quarter of the financial year. The majority of this was concentrated in the 5-to-15 year area of the market (£508m) and the 15 year-or-longer area (£286m), suggesting a shortening of the average maturity of outstanding gilt issues.

On Warburg's PSBR surplus forecast of £10bn and a continuation of the authorities' commitment to fully-fund the public sector contribution to monetary growth/contraction, the authorities may have to buy-in about £7bn over the remainder of the financial year. He says this would be too aggressive a move for the Bank to make and believes it will end up over-funding the PSBR.

There is one point to add. The Bank does not fund what the market thinks the PSBR will be; it funds the Treasury's bi-annual forecasts contained in the Budget and the Autumn Statement.

Simon Holberton

UK Gilts yields



Source: Warburg Securities

THIS WEEK

UK TRADE figures on Thursday are likely to grab most attention in financial *markets this* week and *may* give momentum to sterling trading.

After a series of economic statistics last week suggesting Britain's exceptional growth is not slowing, analysts expect demand for imports to continue to outstrip exports.

The MMS International consensus of forecasts is for a current account deficit of £1bn ($1.7bn) in July, unchanged from June. A larger figures could undermine the pound's recent strength and intensify speculation that base rates will have to rise still further.

Also in the UK, preliminary figures for Gross Domestic Product (output-based) in the three months to June are released tomorrow. The MMS consensus is for a 1.0 per cent rise — again showing strong growth.

In West Germany the Bundesbank's policy-making council meets on Thursday — its first meeting after the summer break. Financial markets will be looking for any indication of a rise in interest rates.

On Tuesday, the Bundesbank is due to announce terms for the next round of West German security repurchase agreements with commercial banks. Most analysts expect the interest rate to remain unchanged at 4.25 per cent.

In the US a series of economic statistics will provide pointers to the strength of economic growth and inflationary pressures.

Gross National Product figures on Thursday are expected to show a rise of 3.2 per cent in the three months to June expressed at an annual rate, according to MMS International. The consumer price index due tomorrow is forecast to show a 0.4 per cent rise in July.

Italian trade figures for May are due this week. The Treasury will be hoping that signs of a falling deficit, which emerged in April, continued into the following month, after a steeply rising trend in the first quarter.

At L665bn ($474m), the April balance of trade deficit was less than half that of April 1987, but the accumulated four month deficit was L7,130bn compared to L5,371bn the year before.

Other statistics and events due this week (with MMS consensus forecasts in brackets) include:

Today: West German money supply figures expected.

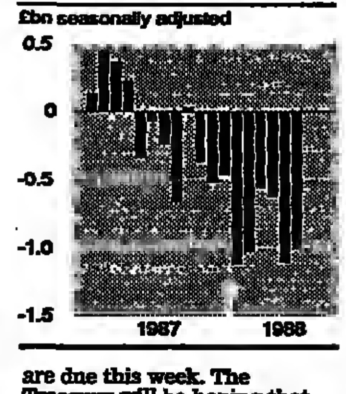
Tuesday: Australian budget. UK Central Statistical Office publishes Balance of Payments, 1988 edition (tha Pink Book). US advanced report on durable goods for July (-4.0 per cent). US two-year Treasury note auction.

Wednesday: Cyclical indicators of UK economy. US ten-day car sales. US five-year Treasury note auction.

Thursday: UK National Institute of Economic and Social Research economic review. UK new vehicle registrations in July.

Friday: Australian current account for July. US personal income and consumption for July (0.7 per cent and 0.6 per cent respectively).

UK current account



INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

RHM bid referral mixes City emotions

THE GROWING role of bank finance in British corporate takeovers has become an increasingly emotive subject. So the decision last week to refer Goodman Fielder Wattie's £1.7bn bid for Ranks Hovis McDougall to the Monopolies and Mergers Commission was greeted by bankers in the City of London with a mixture of surprise and relief.

The surprise resulted from the decision to refer this deal when more highly leveraged financings have passed unremarked on, and because of the confusing wording of the explanation for the move. There was relief because some bankers have grown concerned that banks are going into too many high-risk deals and this would allow time to take stock.

The DTI said the reference was because of the "possible effects on competition, especially in the market for bread, arising out of the financing of the proposed acquisition."

The participation of banks in UK acqnisition financings reflects a change in approach by banks in London.

In the old days, a bank would finance a takeover based on the value of the corporate assets being acquired. These days, in a practice imported from the US, the bankers' buzzword is "cash flow." They argue it is cash flow – in simple terms, revenues minus costs before tax – which pays the banks' interest bills.

Lending on a cash flow basis requires greater sophistication than asset-based lending. Indeed, the information packages for the £1.7bn financing for the now-lapsed Goodman Fielder bid contained a floppy-disc so that potential participants in the loan could run their own assumptions about RHM's business through their own computers.

The reason that mergers and acquisition financing is so popular among banks is the razor-thin returns on more conventional corporate credits. The danger is that banks are digging their hands too deep into the M&A barrel at a time when the UK's eight-year economic boom looks like it might be juddering to a halt.

The contrasts in margins between M&A and other lending was again underlined last week. Mr Robert Maxwell's $2.37bn bid for Macmillan, the US publisher, will be backed by two syndicated financings.

One, arranged by Crédit Lyonnais, for $1.2bn to the Maxwell Communication Corporation, the parent company, is for five years with a margin of ⅜ point over London interbank offered rates. The other, to Mills Acquisition, the US acquisition vehicle, is for a year with a margin of a maximum 1¼ per cent. On the other hand, a seven-year $150m revolving credit being syndicated by Citicorp for SKF, the Swedish bearing maker, carries a facility fee of 0.05 per cent (5 basis points), a margin over Libor of 5 basis points and utilisation fees of 2½ basis points if more than one-third drawn and 6¼ basis points if more than two-thirds drawn.

Barclays de Zoete Wedd is arranging a £250m multiple option facility for Plessey, the UK electronics company, of which £200m is underwritten. It carries a margin of 12½ basis points, an underwriting fee of 5½ basis points, and a utilisation fee of 2½ basis points if more than half drawn. Bankers Trust New York launched a $500m Eurocommercial paper programma, arranged by its BTI London unit and with Daiwa as an additional dealer.

The Central Bank of Turkey signed a $100m programme with Saudi International Bank, BTI and Swiss Bank as dealers. Centex of the US arranged a $100m programme through County NatWest and Société Générale.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	2,076.3	0.0	100.0	9,289.3
Prev	1,517.6	143.7	0.0	8,834.2
Other	604.8	5.6	662.1	1,194.1
Prev	718.5	193.4	144.7	1,047.4

Secondary Market

	Straights	Conv	FRN	Other
US$	14,617.1	1,203.5	3,061.2	6,215.2
Prev	12,747.6	1,311.7	7,731.7	6,206.9
Other	15,295.1	1,111.1	6,207.9	22,222.2
Prev	14,012.0	1,099.9	2,512.1	17,718.0

	Cedel	Euroclear	Total
US$	11,609.7	26,961.9	38,562.6
Prev	9,057.8	29,435.8	38,493.6
Other	20,708.1	26,594.8	47,302.9
Prev	17,440.5	19,915.5	37,356.0

Week to August 18, 1988 Source: AIBD

INTERNATIONAL BONDS

Corporate borrowers re-emerge from the shadows

FROM THE DAY Antostrade issned the first Eurobond in 1963, corporations have been the bread and hutter of the Eurobond market.

Until 1985, corporate borrowers, from the US in particular, accounted for a sizeable chunk of dollar Eurobond borrowings. Since then, their share of the market has declined steadily and in the months following the October collapse of world stock prices, corporations accounted for less than 15 per cent of all dollar borrowings.

But in the past few weeks, several corporations hava tapped the market, some of them at only a few dozen basis points over rates charged to the world's highest quality borrower, the US Treasury.

"Clearly for some borrowers, there is always the Eurobond market. Bnt the question is whether corporations can recapture the Eurobond market?" said one syndicate manager.

Last week, as the dollar survived sneessive onslaughts of central bank intervention, dollar-denominatad issnes emerged as an improving bet, if not the best bet around. The qnestion remains whether the climate for dollars has improved sufficiently to allow corporations to raise money in European bond markets at lower rates than elsewhere.

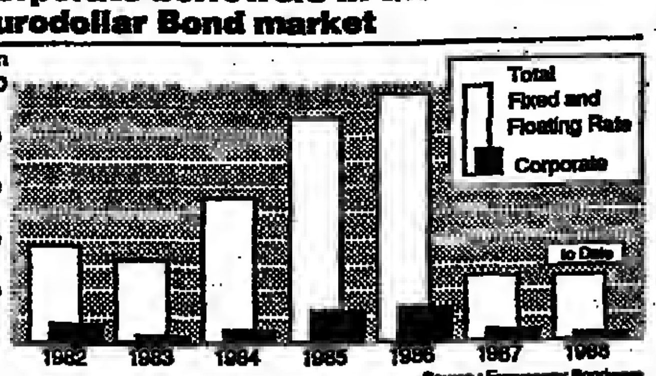
"If you can eat it, drink it, fly it or smoke it, it can borrow in the Eurobond market," said one dollar bond trader, paraphrasing what has become a market truism. In 1988, with one or two exceptions, only household names have proved attractive enough among corporate borrowers to overcome investor insecurity about credit quality and liquidity.

A review of recent borrowers in dollar Eurobonds reads like a stroll down a supermarket aisle. Sara Lee, Kelloggs Foods and Anheuser-Busch have all borrowed dollars in Europe, with spreads over Treasuries ranging from 21 to 55 basis points. And just last week, J. Sainsbury, one of the UK's largest supermarket chains, tapped the bond market, raising $200m for three years at just 46 basis points over Treasuries.

Sainsbury's, traders say, is a good case in point for those arguing that better times lie ahead for corporate borrowers in Europe. The AA-rated supermarket chain is certainly not a household name outside the UK. But Nomura, the lead manager, said it alone was able to place $110m of the total, with $40m each sold to Japanese and continental investors and an additional $30m sold in the UK. There are nine co-lead managers in the deal along with Nomura.

While several dealers said the issue had been briefly quoted at a discount of 1.45 points below issue price, bond brokers said it had not actually traded below less 1.40 bid, around its full fees of 1⅜.

Corporate borrowers in the Eurodollar Bond market



Source: Euromoney Bondware

Certainly, recent corporate issnes have attempted to address what has been one of their biggest drawbacks – illiquidity. Most issues have been for $150m to $200m, not nearly as liquid as any government bond but sufficiently large to rival the liquidity of, say, supranational borrowers.

Indeed, syndicate officials concede that the illiquidity of the Eurobond market, and particularly for corporate issues, has led to demands for a yield premium to compensate for difficulties in selling. As a result, borrowers found that better rates were available in US domestic bond markets where investors are US-dollar based and do not need to sell their securities at each twist in the dollar's fortunes.

For instance, Robert LeBlanc, syndicate manager at J.P. Morgan Securities, estimates that even A-rated Xerox Corp, certainly a household name, would have to pay a spread of 90 to 100 basis points over US Treasuries to horrow for 10 years in the Eurobond markets, although it borrows in US domestic markets at a spread of only 70 to 80 basis points.

J. Sainsbury found that the Eurohond market was a cheaper source of funds than any available alternative. A finance official at the London-based chain said that because the company was not known in the US, there was no advantage to borrowing there. However, the rate achieved on last week's bond was sufficiently low to allow half of it to be swapped into floating-rate sterling at a rate well below London interbank offered rates.

Not even the highly competitive syndicated bank loan market is able to offer such cheap funding, the official said.

The other $100m, he said, is being held in dollars against dollar-denominated liabilities.

So, while international investors appear willing to accept an unfamiliar name with a top credit rating, securities houses have yet to attempt to bring back some of the larger US corporates of lesser credit quality.

Syndicate officials point out that Eurobond investors have long memories and still wince at the mere mention of some leading US utilities which borrowed heavily here, only to slide down the ratings ladder under the weight of their nuclear power plants.

Also gone from the market are US banks, thrifts and several large companies, such as Levi-Strauss whose bond ratings plummeted after a highly leveraged buyout.

Corporations have been able to tap the Eurobond market via equity-linked issues though and no one has exploited this sector more successfully than Japanese borrowers.

After a virtual hiatus of three weeks – called for after prices on some equity warrant bonds plunged to discounts of as much as nine points below issue price – the market came back to life last week. About $600m more in new securities is chalked in for this week. But all of the recent issues have demonstrably higher coupons than has been seen on any similar issue this year.

This has been necessitated by a sharp drop in the value of many of the warrants. According to officials at Baring Securities, a market maker in equity warrants, the value of some warrants has fallen to as low as 15 per cent of the composite security's per issue price, and on average are now 18 to 19 per cent of the composite value.

At the market's peak, warrants accounted for as much as 26 per cent of the composite security's value. To make up for the weaker warrant value, the return offered by the bond has to be enriched.

However, the big four Japanese underwriting firms have agreed that, for the first time ever, issues will carry varying coupons depending on the credit quality of the borrower. While the two four-year issues launched on Friday had identical conpons, several other smaller deals are to be launched this week and if the new policy is to be enforced, these will be the test cases.

Daiwa Europe launched a $500m four-year equity warrant bond for steel-maker Sumitomo Metal Industries while Nikko Securities launched a $200m issue for JuJo Paper Co, both with indicated coupons of 4¾ per cent. Sumitomo Metal's issue closed at 99.75 to 100.25 while JuJo paper ended around 97.75 to 98.50.

Euromarkets Staff

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sekisui House‡◆	300	1992	4	4¾	100	Yamaichi Int.(Eur)	4.750
Kinki Nippon Railway‡	200	1993	5	(5⅝)	100	Nomura Int.	★
J. Sainsbury Finance◆	200	1991	3	9⅜	101	Nomura Int.	8.980
Jujo Paper‡	200	1992	4	(4¾)	100	Nikko Secs (Europe)	★
Sumitomo Metal Ind.‡	500	1992	4	(4¾)	100	Daiwa Europe	★
CANADIAN DOLLARS							
LB Schleswig-Holstein◆	65	1993	5	10¾	101¼	Mitsubishi Fin.Int.	10.285
BNP◆	100	1991	3	10¾	101⅛	ScotiaMcLeod	10.245
Fin.for Danish Ind.◆◆	50	1991	3	10¾	110.63	Deutsche Bk Cap.Mkts	6.720
AUSTRALIAN DOLLARS							
Primary Ind.Bk A'tralia◆	50	1991	3	13¾	101⅞	County NatWest	13.061
Zentralsparkasse & K'bk◆	75	1993	5	13¾	101¾	Nomura Int.	12.755
D-MARKS							
Woolwich Equit.B.Soc.◆	150	1993	5	6	101⅞	UBS (Germany)	5.618
Privatbanken◆	140	1998	5	6	101	Deutsche Bank	5.764
Ind. Dev. Bk of India◆	250	1995	7	6½	100¼	Dresdner Bank	6.579
Dresdner Finance◆	500	1994	6	6	100	Dresdner Bank	6.000
SWISS FRANCS							
Ringer Hut Co.★★§◆	35	1993	-	½	100	SBC	0.500
Yushiro Chem. Ind.★★§◆	40	1993	-	½	100	UBS	0.500
Tokyo Tatemono Co.★★§◆	120	1993	-	½	100	UBS	0.500
Polly Peck Int. Fin.◆	125	1994	-	5⅝	100	Warburg Soditic	5.625
Fin.Cr.Ind.et Comm.★★◆	100	1995	-	4⅜	101	Kredietbank (Suisse)	4.580
Commerzbank Finance◆	100	1993	-	4½	100¾	SBC	4.330
ABC Union Bk Norway★★◆	50	1996	-	5	100⅝	Bqe Paribas (Suisse)	4.892
Teikoku Sangyo Co.★★‡	60	1993	-	(2)	100	Crédit Suisse	★
Aoyama Trading Co.★★§	140	1993	-	(⅞)	100	SBC	★
ECUs							
Eurofima◆	40	1995	7	7⅝	102¼	Sanwa Bank Int.	7.205
Swedish Export Credit◆	100	1991	3	7½	101¼	Banque Paribas	7.023
Credit Suisse Finance◆	75	1992	4	7½	101½	CSFB	7.057
Aegon◆	50	1991	3	7¾	101⅞	Amro Bank	7.224
YEN							
Skopbank (Cayman Is.)◆	7bn	1995	7	0	71.277	Nikko Secs (Europe)	4.956
Soc.Quebecoise d'As.Eaux◆	6.5bn	1993	5	(a)	100.10	LTCB Int.	-
Christiania Bank (b)◆	5bn	1993	5	(b)	102	Mitsubishi Fin.Int.	-
Bergen Bank◆	5bn	1993	5	4⅞	101⅛	Yamaichi Int.(Eur)	4.477
National & Prov.B.Soc.‡◆	10bn	1995	7	(c)	100.35	IBJ Int.	-
Sprint VI (d)◆	6.38bn	1993	5	0	79.39	Fuji Int. Fin.	4.724
Swedbank (e)◆	6bn	1993	5	5¼	101⅞	SBCI	6.557
National Australia Bk◆	7bn	1995	7	0	72.065	Salomon Brothers	4.791
PKbanken◆	7bn	1992	4	(f)	101.5625	LTCB Int.	-

★Not yet priced. ★★Private placement. ‡Floating rate note. #With equity warrants. §Convertible. ◆With currency warrants. ◆Final terms. a) Interest will be paid at the yen/yen 5 year swap rate less 30 basis points. b) Step-up coupon: years 1 and 2 1¼%, 7½% remainder. c) ... below Japanese long term prime rate. d) Secured by ... bonds. e) ... redemption linked to Japanese Govt. bond futures ... Dec. 1993. f) 3bp over Japanese long term prime rate. Note: Yields are calculated on AIBD basis.

UK bank beefs up HK presence

By Michael Marray in Hong Kong

THE Standard Chartered Bank is to beef up its presence in the retail brokerage business in Hong Kong with the opening of outlets offering share buying and selling services within its branch network.

The offices will be run by ChinTung, the stockbroker which was taken over by Standard Chartered Asia, the gronp's merchant banking arm, in the wake of last October's stock market crash.

Initially, a small number of around four of the share shops will be established for an experimental parlod, with operations beginning later this year.

Mr Ronald Carstairs, manager of Standard Charted's Hong Kong operations, said: "The idea is to extend the range of retail services provided to our client base." He acknowledged that the plans were being laid at a time when activity on the local stock market was rather dull.

Mr Carstairs said that when Standard Chartered decided to purchase ChinTung last year, the bank had done so with an eye on the possibilities for a network of share shops using its branches.

The small investor plays an integral part in the Hong Kong investment scene, with share ownership common at all levels of society.

Activity on the local stock market has been in the summer doldrums in recent weeks, but for the first half of the year average daily turnover of HK$941m (US$120m) was not far short of the HK$1.2bn seen during the same period in 1987 before turnover began to balloon in the run-up to the October crash.

ChinTung, one of the biggest locally owned brokerages, was severely wounded in the crash, and within weeks Standard Chartered, which was its principal banker, had agreed to a takeover.

Standard Chartered bought a 90 per cent holding in ChinTung for an undisclosed sum in a deal which did not inclnde the troubled ChinTung futures broking arm.

● Sun Hung Kai, the Hong Kong financial services group and one of the colony's biggest brokerages, has reported consolidated profits of HK$82.8m for the six months to June 30.

This was well down on profits of HK$133.6m for the first half of 1987.

Extraordinary items for the first half amounted to HK$19.7m compared with a previous HK$26.6m and an interim dividend of 5 cents has been declared, compared with 10 cents a year earlier.

Sun Hung Kai's bullion and commodities division was adversely affected by the collapse in trading volumes for Hang Seng Index Futures, which slumped to under 800 contracts per day in the first half compared with well over 10,000 a day during the first six months of 1987.

However, the company noted that stock trading volumes had remained at reasonable levels of an average HK$988m per day, which compares with HK$1.11bn during the first half of last year.

Despite the highly profitable start to 1987, Sun Hung Kai eventually reported net profits of only HK$145.8m for the whole year after making substantial provisions for doubtful loans following the market crash.

Early in 1987, Sun Hung Kai broke off a five-year association with Merrill Lynch when the latter disposed of its 25 per cent holding in the company.

Unidentified buyer takes stake in Ranger Oil

By Robert Gibbens in Montreal

A MYSTERY investor has acquired nearly 10 per cent of Ranger Oil, one of Canada's best-known oil and gas exploration groups, for more than C$50m (US$40.9m).

The company, with production interests in the Ninian Field in the North Sea and successful exploration activities in the North Sea, south-east Asia and Australasia, has no controlling shareholder.

Mr Jack Pierce, president and founder, has a 5.4 per cent interest and other senior managers a 5 per cent interest. Caisse de Dépôt, the Québec pension plan investment arm, holds 5.5 per cent.

Britoil has been mentioned as a possible bidder for Ranger. The company said it was informed of the new minority shareholder late last Friday and more details might be available this week.

Goodyear pipeline may be sold

By Janet Bush in New York

GOODYEAR Tire & Rubber has held preliminary discussions with several companies about the sale of its All American oil pipeline, which could raise around $1.3bn.

Mr Robert Mercer, Goodyear's chairman, said the company was in the formative stages of a plan to sell the pipeline, whicb runs 1,250 miles from Texas to California, to a group of investors.

"We have held preliminary discussions with several firms and have received some indications of interest," he said.

Goodyear's sbare price climbed steadily on the New York Stock Exchange last week on speculation that the company may be near an agreement to sell the pipeline. The company's shares closed on Friday at $60, not far below its high for this year of $63¾.

Mr Mercer said the company wanted to sell the pipeline as soon as possible but said that no consortium had yet been formed, no negotiations had been beld and no specific terms, including price, had been discussed.

Earlier this month, Goodyear announced a major consolidation of its businesses under two global divisions – tyres and general products. Tba restructuring was another effort by the company to maka cost savings in tbe face of increasingly strong competition in the tyre market.

This year alone, Bridgestone of Japan has acquired Firestone Tire & Rubber and Pirelli of Italy purchased Armstrong Tire & Rubber.

The sale of the All American pipeline has been planned for some time as part of efforts to cut the company's substantial debt. This was built up after its successful defence against an attempted takeover by Sir James Goldsmith in late 1986 whicb saddled tbe company with $4.7bn in debt.

Earlier this year, an injunction against construction of the final 500 mile leg of the pipeline in Texas was removed, clearing the way for its completion.

Internatio-Mueller climbs 29%

By Laura Raun in Amaterdam

INTERNATIO-MUELLER, the Dntch diversified industrial conglomerate, saw earnings climb 29 per cent to Fl 14.3m ($6.7m) in the first half from Fl 11.1m a year earlier.

For all of 1988, the company forecasts that earnings will aurpass the Fl 36.7m of last year.

Analysts had expected a healthy improvement, thanks to restructuring and concentration in Internatio-Mueller's core businesses – engineering, trade and transport. Loss-making companies are being divested and operating margins are improving as activities with higher value-added are strengthening.

Operating income soared 46 per cent to Fl 21m in the first six months from Fl 14.4m in the year-earlier period. Revenue climbed 9 per cent to Fl 1.17bn from Fl 1.07bn.

An extraordinary shareholders meeting last Friday failed to take a decision on a management proposal to convert the company's shares into registered shares without voting rights as an anti-takeover defence.

Too few shareholders attended, so a new meeting was called for September 14.

Internatio-Mueller is one of the Netherlands' old trading groups, comprising 100 companies active in technical trade, transport in the Pacific basin and engineering.

It was formed in 1970 by o merger of tbe International Credit and Trading Association and Wm. H. Mueller.

Amic directors cautious despite interim growth

By Jim Jones in Johannesburg

A DEPRECIATING rand, higher world commodity prices and strong domestic consumer demand were the principal contributors to the strong sales and profit growth of Amic (Anglo American Industrial), the South African industrial holding company, in the first six months of this year.

However, the directors warn the second half's results could be affected by slowing domestic economic activity resulting from recent credit curbs and import surcharges.

Turnover rose to R2.12bn ($865.3m) in the half-year to June 30 1988 from R1.69bn in the corresponding period of the last financial year and against R3.55bn in the last financial year as a whole.

The interim operating profit before dividend income, interest payments and tax rose to R345m from R212m and the first-half's pre-tax profit increased to R410m from R238m. The last financial year's trading profit totalled R473m and the year's pre-tax profit was R592m.

Amic's largest consumer-based interest inside South Africa is its holding in Samcor, the motor manufacturer.

Bond unit ahead after disposal

By Our Hong Kong Correspondent

BOND Corporation International, the Hong Kong listed subsidiary of Mr Alan Bond's business empire, yesterday reported attributable profits of HK$525.1m (US$67.3m) for the six months ended June 30.

This followed the disposal during the first half of the company's residential property portfolio on Hong Kong Island, bought from Hongkong Land in December 1986 at a net profit of HK$384.8m over acquisition cost.

Turnover for the first half, representing only net property rentals, was HK$46.1m compared with HK$55m for the first half of 1987 when Bond International reported profits of HK$180m after the sale to a Japanese investor of half the Bond Centre.

Bond Centre, the company's flagship office building, was 93 per cent let by the end of the first half, and has been able to command high rentals as a result of the shortage of office space in the colony's central business district.

Bond International's other significant assets are a 29 stake in HK-TVB, a local television station, and a 36 per cent holding in Compania de Telefonos de Chile (CTC).

HK-TVB's operating profit increased substantially during the first half, while CTC recently reported a 49 per cent increase in net profits for the same period.

Bond International has announced that it is to move its year-end to June 30 for accounting purposes, bringing it in line with Bond Corporation Holdings, its Australian parent company.

Canadian power group sets up holding offshoot

By Our Montreal Correspondent

POWER CORPORATION of Canada, controlled by Mr Paul Desmarais, the Montreal financier, has set up a new industrial holding company to invest in Canadian and international projects.

The new company may enter into joint ventures with the Knwait Investment Office, which bought 10 per cent of Consolidated-Bathurst last spring for abont C$200m

Power owns 40 per cent of Consolidated-Bathurst, one of Canada's largest pulp and paper and packaging groups.

Power has not yet decided whether to pnt the holding into the new wholly-owned investment company. Nor would it reveal the initial capitalisation.

But Mr Frank Knowles, president of Power, said Mr William Turner, chairman of Consolidated-Bathurst, would bead the new company and was already developing strategies.

Elders' associate to place option bonds

By Our Financial Staff

ELDERS IXL, the Australian brewing, finance, agribusiness and resources conglomerate, says its associate Avilock has mandated Bankers Trust Australia to arrange and place an issue of option bonds and bonds to raise US$260m.

Elders says it will guarantee the issue, which it says will help Avilock to refinance its previous purchase of 105m shares in Goodman Fielder Wattie.

Avilock will issue Australian dollar-denominated option bonds maturing in 1994 and convertible into 105m fully paid ordinary shares in Goodman Fielder Wattie. Goodman Fielder Wattie shares would be taken up on conversion of the option bonds.

The conversion price will be A$3.07 (US$2.5) and will be adjusted to reflect changes in Goodman Fielder Wattie's capital structure.

Avilock'a option bond issue will be made in conjunction with a US dollar-denominated bond issue to raise US$260m.

Robert Gibbens in Montreal adds: Legislation to privatise Air Canada, the national airline, has received Senate approval and royal assent and a preliminary prospectus is due to be published within a few days.

The airline will also appoint an underwriting syndicate to handle a public issue to raise about C$300m (US$245.9m) and reduce the Federal government's holding in the airline from 100 per cent to 55 per cent.

Vesta shows sharp gains in first-half earnings

By Karen Fosell in Oslo

VESTA, Norway's troubled insurance group, saw a marked improvement in the first half-year to experience an operating profit of NKr11.8m ($1.7m) compared with losses of NKr368.9m in the same period last year.

Gross operating earnings before writeoffs reached NKr89.9m against a deficit of NKr66.3m in 1987.

Losses on loans narrowed to NKr78.1m from NKr302.6m in 1987 due to the sale of Nevi, its financing and leasing offsboot, to Bergen Bank. Nevl accounted for the majority of losses in the previous year.

The company's general insurance division posted profits of NKr64.3m compared with losses of NKr80m in the previous year.

Vesta said that within its Norwegian business division the private market made a strong recovery, showing positive mid-year results. Tbere was still a high level of claims, however.

Group total assets, including life insurance activities and after the Nevi divestment, stood at NKr14.6bn, against NKr26.5bn last year.

The group's operating result for the second part of the year is expected to be the same as the first period.

Takeover fuels Pakhoed profits

By Our Amsterdam Correspondent

CHEMICALS storage activities and a takeover fuelled a 39 per cent jump in first-half earnings at Pakhoed, the Dutch transport and storage group, and profits for the year are expected to climb at about the same rate.

Pakhoed plans a rights issue sbortly, giving sbareholders and bolders of sbare certificates the right to buy one new sbare or certificate for eacb five already beld.

In the first six months, net income rose to Fl 25.7m ($12.2m) from Fl 18.5m a year earlier, thanks to better profits in storage and distribution of chemicals.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Bonds in good cheer despite trade report

THE REACTION of financial markets last week to a patently *worrying trade report* for June seems to be a case of storing trouble for the future.

Forget equities – they are quietly sliding into oblivion. Daily movements have become *laughable* in *comparison* with the extraordinary volatility everyone had got used to and volume is desultory. Every day, equity analysts talk about a decisive break on the upside and *it never happens. Then* they talk about a significant fall and that does not happen either.

But wbat of bonds? These are the instruments which are supposed most closely to reflect interest rate and inflation expectations. Last week, bonds did pretty well.

And yet the message of the trade numbers for June is *clear. The economy is getting* near to dangerously high capacity usage levels, the consumer seems to have regained confidence – if it was ever lost – and American companies are shipping in millions of dollar's worth of plant and equipment for expanded production in the coming months.

The figures told us this is a strong economy. They also told us that althougb the deficit is on a declining trend, progress is likely to remain extremely slow. There is inflation in the economy. Monthly trade deficits remain huge. And the dollar appears to be going up.

The US currency is appreciating as a reflection of the strength of the economy and specifically because foreign exchange dealers and investors are betting that US interest rates are going higher. But this should not provide anything for the bond market to cheer about.

Why should bonds appland a strong dollar when it is merely a reflection of expectations of tighter monetary policy? Why, too, should a strong dollar be anything to shout about when the Reagan Administration's policy since 1985 has been to *force a depreciation of the dollar* (and then stabilise it) in order to correct global trade imbalances.

There is a danger that corrective action by the US Federal Reserve on the domestic monetary front will lead to dollar strength and therefore an erosion in America's newfound competitiveness, without any fundamental improvement in the nation's fiscal position.

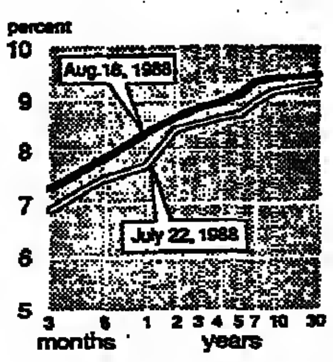
There has been no clear indication that the US or the other Group of Seven leading industrial nations plan to launch a significant attack on the dollar.

The intervention last week did not appear to have been particularly substantial and there was a lot of talk in the market that the US will be less than tough in stopping a rising dollar in election year, whether Mr James Baker is at the Treasury department or leading Mr George Busb's bid for the White House.

That does not, of course, mean that the White House is happy with remarks such as those by Mr William Verity, US Commerce Secretary, advocating a dollar at DM1.80, the only time the US currency looked vulnerable last week.

Salomon Brothers said in its international outlook at the weekend that intervention by central banks so far had only been designed to buy time, not reverse the dollar's upward momentum.

US Treasury yields



Source: Technical Data Int. (London)

"Widespread expectations remain that new indications of strong US economic growth will result in additional tightening moves by the Fed, and that such moves will not be fully matched in otber G7 countries," Salomon said.

The question which has financial markets in a quandary is whether, as Mr Michael Sherman at Shearson Lehman Hutton puts it, the "trade deficit has already begun to deteriorate and is inflation already rising or is this latest round of interest rate increases another precantionary move to keep the genie in the bottle?"

The source of much discomfort at the moment is that, while the Fed appears to be responding actively to strong growth, it is being reactive rather than proactive.

It may be, as Dr Mickey Levy of First Fidelity Bancorporation in Philadelphia argues, that the rise in interest rates so far this year reflects economic growth rather than constitutes an attempt to slow it down.

Economists at PaineWebber believe the rate rises seen so far will not slow the economy enough to avoid price pressures. They say the consumer is in good shape to handle the recent rate rise.

Tbey maintain job gains have been strong, wages are picking up and indicators of consumer *confidence* have consequently remained relatively high.

Mr David Hale and Mr John Silvia, of Kemper Financial Services in Chicago, describe the bond market as remarkably complacent. In the first half of this year, the real trade deficit fall at a rate equal to 2 per cent of GNP and investors decided that the US would be willing to permit *some nominal* exchange rate appreciation to lessen the danger of capacity shortages and inflationary overheating.

"But once numerous forecasts start to appear projecting a widening of the trade deficit in late 1989 and 1990, the focus will shift from fears of the export boom causing inflationary overheating to concerns about a revival of imports," they say.

All in all, perhaps it would be wise to note in both currency and bond markets when they cheer Japanese buying of dollars and bonds that Tokyo's investment community has become increasingly adept at playing for short-term gain.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.20	7.95	7.83	8.20	6.27
Three-month Treasury bills	7.06	7.22	6.75	7.17	5.03
Six-month Treasury bills	7.59	7.82	7.06	7.65	5.73
Three-month prime CDs	*8.51*	*8.50*	*8.12*	*8.28*	*6.77*
30-day Commercial Paper	8.15	8.20	7.80	7.62	6.52
90-day Commercial Paper	8.30	8.30	8.12	8.28	6.77

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98⅛	+¾	9.29	9.21	8.95
20-year Treasury	99⅝	+¾	9.42	9.45	9.25
30-year Treasury	97¾	+¾	9.40	9.42	9.20
New 10-year "A" Financial	n/a	n/a	10.10	10.18	10.00
New "AA" Long utility	n/a	n/a	10.50	10.48	10.25
New "AA" Long Industrial	n/a	n/a	10.38	10.43	10.20

Swiss to launch market index

By John Wicks in Zurich

A NEW INDEX is being introduced this month by the Association of Swiss Stock Exchanges. To be known as the Swiss Market Index (SMI), it will act as a basis for trading in index contracts.

Developed in co-operation with the Swiss Options and Financial Futures Exchange (Soffex), SMI is based on the quotations for 24 bearer shares and participation certificates of 20 Swiss companies in continuous trading on the Zurich, Geneva and Basle bourses. Total market capitalisation for these equities was SFr76.2bn ($48.2bn) as of mid-year.

The SMI will be calculated and disseminated continuously during trading by Telekurs, the market information service, and reported in the media.

At the same time, Swissindex, the general stock exchange indicator, is to change its name to Swiss Performance Index (SPI). This covers all equities listed in Zurich, Geneva and Basle as well as leading pre-market equities.

At present, this amounts to 364 equities of 196 companies with a mid-1988 market capitalisation totalling SFr186.9bn.

● Crédit Suisse of Zurich has sold Crédit Suisse (Moyen-Orient), its Beirut subsidiary, to a group of local investors and its representatives have resigned from the board. The company will continue operations under the name of Banque Libano-Suisse.

The divestment is attributed to Crédit Suisse's policy of "adapting its Middle Eastern commercial business to changed circumstances." The Beirut subsidiary was set up in 1973 to transact all types of banking operations and had been working under "the most difficult conditions."

Last year, Crédit Suisse (Moyen-Orient) showed a balance sheet total of L£22.6bn ($64.5m) and net profits of L£11m.

Today's FT/AIBD International Bond Service Table has not appeared in the newspaper because of technical difficulties.

Canada takes tough line over capital rules

By Robert Gibbens in Montreal

THE FEDERAL Government has taken a tough line in setting up a Canadian version of the new international capital standards for banks.

Mr Robert MacIntosh, president of the Canadian Bankers Association, says Mr Michael Mackenzie, the Federal superintendent of financial institutions, has been excessively conservative and that the Canadian banks will be at a disadvantage against US, British and Japanese counterparts.

The new federal rules governing Canadian and foreign-owned banks take effect on November 1 and are based on Bank for International Settlements guidelines.

By 1992, under the BIS rules, international banks must have core capital or common equity of at least 4 per cent of total assets and 8 per cent of total capital defined as equity plus debentures and reserves. Analysts say the Canadian definition of debentures and reserves or second-tier capital is tougher than rules adopted elsewhere.

It means the Canadian banks will have to hold more equity to meet the 8 per cent rule, although this may be achieved relatively easily through increasing retained earnings.

The Canadian chartered banks will not be allowed to include Third World loan loss provisions to count as second-tier capital. The US and Japanese banks can do this.

Unrealised gains on securities or real estate also cannot be counted in second-tier capital, the same as US policy.

But Canadian banks will be able to count goodwill in their equity, at least in the initial stages, although it must be written off by 1992. Goodwill paid by Canadian banks after November 1 1988 will automatically be deducted from capital.

UK COMPANY NEWS

Bowater expands with £9.4m electronics buy

By Vanessa Houlder

BOWATER INDUSTRIES, the packaging and building materials group, has acquired NFI Electronics, a membrane awitch manufacturer, for £9.4m.

The deal is in line with Bowater's policy of expanding the coating and laminating operations of Rexham, the US industrial conglomerate it acquired last year.

NFI, which is based in the Isle of Wight, claims to be Europe'e largest producer of membrane switches. These are thin, hermetically sealed switches used in instruments, computer keyboards, domestic eppliances and telecommunication equipment.

Bowater, which claims that demand for memhrana switches is increasing at 15 per cent a year, expects to continue NFI'a "aggressive growth performance", in particular through product development aimed at the automotive industry. Bowater will incorporate NFI into its Rexham Industrial Group, which makes high-technology materials from plastic films and foil.

NFI, which began making membrane switches in 1979, made a pre-tax profit of £1.52m on sales of £9.4m for the year to March 31. In the current year, profits are expected to drop to £800,000-£1m.

Mr Brian Stillwell and Mr Barrie Stillwell will remain with NFI as managing director and sales and marketing director, respectively. Until the sale, NFI was largely owned by the Stillwell family.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

Builder Group (Section: Newspapers).

Colroy (Buildings).

Erostin (Property).

Glasgow Income Trust (Trusts, Finance, Land).

Heritage (Stores).

FINANCIAL TIMES STOCK INDICES

	Aug. 19	Aug. 18	Aug. 17	Aug. 16	Aug. 15	Aug. 12	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.96	87.78	87.76	87.68	87.80	88.17	91.43	86.97	127.4	49.18
Fixed Interest	97.61	97.59	97.72	97.34	97.38	97.42	98.67	94.14	105.4	50.53
Ordinary	1484.5	1476.2	1475.3	1473.3	1465.6	1484.8	1512.8	1349.0	1926.2	49.4
Gold Mines	193.3	187.8	188.1	191.4	192.9	189.5	312.5	187.8	734.7	43.5
FT-Act All Share	961.62	956.78	955.26	952.81	949.46	961.69	978.32	870.19	1238.57	61.92
FT-SE 100	1844.3	1833.9	1830.9	1825.3	1816.8	1843.4	1879.3	1694.5	2443.4	986.9

Telfos fails in £30m bid for Runciman

By Vanessa Houlder

WALTER RUNCIMAN, the shipping, security and insurance group, yesterday retained its independence after shareholders rejected the £30m takeover bid from Telfos Holdings, the diversified engineering company.

By lunchtime yesterday - the close of the ten-week bid battle - Telfos had received acceptances from holders of 1.06m Runciman shares or 12.1 per cent. Together with its own 28.6 per cent stake, it had total control of 40.7 per cent. Accordingly, it announced that the offer had lapsed.

The paper offer - which comprised ordinary and cumulative preference shares and warrants - was accepted by holders of 11.8 per cent of Runciman'a share capital. The 328p cash alternative was accepted by 0.36 per cent.

About one third of Runciman's shares are held by interests with close connections to the company, including family and directors.

The bid was announced in early June, soon after Telfos raised its holding in Runciman from 4.9 per cent to 24.6 per cent. The offer, which initially valued Runciman at £28.9m was immediately dismissed by Mr Garry Runciman, chairman of Runciman, as "hlatant opportunism" in that it aimed to buy the company as it was moving from recovery into a period of strong growth. The improved offer emerged at the end of July, after Telfos received acceptances for 0.58 per cent of Runciman's shares.

Runciman owns six liquified petroleum gas carriers and a substantial warehousing operation in Scotland. It also has a security side which makes safes and an insurance division. For Telfos, a diversified engineering concern of a similar size, analysts believed that a major attraction of Runciman was its assets.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ADT, Allda Hldgs., Fisher (James), Moorfield Estates, Palma Group, Rockwood Hldgs., Scottish Eastern Inv. Tst., Woodchester Invs.

Finals- Sandvik Aktiebolag.

FUTURE DATES

Interims-

Aeda Property	Sept 5
Baird (William)	Sept 14
Coates Group	Sept 7
Comdell Group	Sept 1
Edinburgh Fund Mngrs.	Aug 31
Edmond Hldgs.	Sept 3
Inchcape	Sept 15
Kalon Group	Sept 1
Laing Properties	Oct 5
Metal Closures	Sept 8
Miller (Stanley)	Sept 5
Newmarket	Aug 26
Pennine Optical	Aug 24
Solar	Sept 12

Finals-

Automagic Hldgs.	Aug 26
Benchmark	Sept 16
Heath (Samuel)	Aug 25
Realty Useful Group	Sept 19
Young (H.)	Sept 27

Tapping in to the success of Vodafone

Hugo Dixon on prospects for Racal's other mobile operations

Gerry Whent: ambitious to receive cordless phone license

Cellular telephony - which has shown explosive growth in the UK in recent years - is only one type of mobile telecommunications.

This point is often forgotten in the context of Racal, the UK electronics group which last week received shareholder approval to float off 20 per cent of its Racal Telecommunications Group subsidiary.

It is hardly surprising. At present, Vodafone, the most successful of the UK's two cellular telecommunications operators - tha other is Cellnet, a British Telecom suhsidiary - dominates RTG. In the year to the end of March, Vodafone made operating profits of £52m, while RTG's other interests lost £2m. City analysts estimate that Vodafone is worth anything between £1.1bn and £2.3bn and value the rest of RTG at only £100m.

Part of the reason is that the other businesses in the RTG stable are very much in the start-up phase. Vodafone itself had to weather millions of pounds of losses in its early years before moving dramatically into profit in the last two. None of the other businesses individually is likely to challenge Vodafone in terms of size, but several could experience the same sudden switch from loss to profit.

This is part of the nature of the telecommunications business. Millions of pounds are invested to create a nationwide network hut, until the network is in place, few people want to use it and there is little revenue. Once it is up and running, however, revenue growth is strong.

There are four main varieties of mobile telecommunications, all of which RTG has ambitions in: cellular phones, cordless phones, private mobile radio, and paging.

Cellular phones work by dividing the country into cells, each with a radio station. When somebody making a call moves from one cell to another, the connection is passed automatically from one radio station to the next without a break in the conversation. The technology is the most versatile in mobile telecommunications, but also the most expensive.

The UK cellular market has a two-tier structure. There are network operators and service providers. The operators install and maintain the networks, but only the service providers are allowed to sell the systems directly to the public. RTG's Vodac is the largest service provider for the Vodafone network, accounting for 33,000 of Vodafone's 158,000 subscribers at the end of March.

Apart from Vodafone and Vodac, RTG has three other cellular businesses. Vodata is designed to provide Vodafone subscribers with special services, the most important of which is a message service. In future, many more are likely to be added.

The other two cellular businesses are targetted at the European market, which is due to open up in 1991 with the inauguration of a system allowing people to speak between one end of Europe and the other using the same cellular phone. RTG plans to attack this market both as a network operator and as a manufacturer.

The purchase of a 4 per cent stake in Cofira - France Telecom's rival in the cellular market - was RTG's first move into operating abroad. It would like to repeat this sort of arrangement throughout Europe, where cellular telephony has barely begun to develop.

Orhitel - a fledgling 50-50 joint venture with Plessey - is RTG's vehicle for attacking Europe as a manufacturer. This market is expected to be worth £800m a year in the mid-1990s, hut Orbitel will need to work overtime to capture a significant share as its competitors are larger and better established.

The cordless telephone business may be more promising because of its expected mass market appeal. Some analysts say cordless could be more important than cellular by the mid-1990s.

Under this, thousands of radio systems will be dotted around the country, but users will not be able to move from one to the next without their calls being interrupted; they will also only be able to make outgoing calls. The advantage is that they will he much cheaper.

The UK government is due to award two to four cordless phone licenses later this year. Gerry Whent, chairman of RTG, has ambitions to receive one of them, but the competition is expected to be tough.

RTG is also involved in private mobile radio, designed for fleets of vans or taxis. This service started at the end of last year and so far has only 5,000 users.

More exciting is the paging market, which has 400,000 users and is growing at 25 per cent a year. RTG was awarded a license in 1986 and its fortunes will depend on wresting market share from British Telecom, which has been in the market much longer and dominates it. Vodafone's edge over Cellnet in cellular telecommunications is a promising precedent.

THE RTG GROUP

WHOLLY-OWNED SUBSIDIARIES:	
Vodafone	One of the UK's two cellular phone operators
Vodac	The leading service provider for the Vodafone network
Vodata	A provider of value-added services on the Vodafone network
Vodapoint	RTG's vehicle for cordless telephony
Vodacom	A service provider on the Band 3 network
Vodapage	One of the UK's six paging operators
JOINT VENTURES:	
Orbitel	A manufecturer, 50 per cent owned by RTG
Cofira	A French cellular phone operator, of which RTG has 4 per cent
Band 3 Radio	One of the UK's two privala mobile radio operstors. RTG owns 25 per cent.

TRADITIONAL OPTIONS

- First Dealings Aug 8
- Last Dealings Aug 19
- Last Declarations Nov 10
- For settlement Nov 21

For rate indications see end of London Share Service

Stocks favoured for the call included BSR, Suter, Tyndall Holdings, Eagle Trust, Norfolk Capital, Standard Chartered, Fergabrook, Raglan Property, Blue Arrow, TI Group, Casket, Kwik-Fit, A Fisher, Chloride, Dares Estates, Sears and United Biscuits. No put options were reported but Calor were dealt in for the double.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

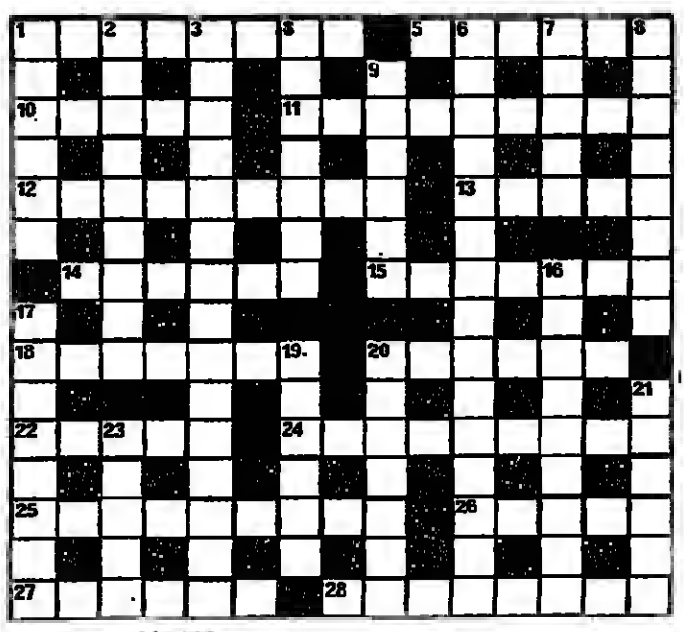
FT 30	FTSE 100	WALL STREET
Aug. 1481/1490 +13	Aug. 1840/1850 +16	Aug. 2030/2042 +9
Dec. 1494/1503 +14	Dec. 1855/1865 +17	Dec. 2051/2063 +8

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No. 6,714 Set by QUARK



ACROSS

1 A gentle ball getting a knock coming back in a curve (8)
5 Travel in rain a little; could put a stop to things (6)
10 In peril, losing head, showing annoyance (5)
11 Basic reason for plant not growing? (4,5)
12 Nesta, dancing, accompanies players – with these? (9)
13 This ground can be for travellers (5)
14 Mark start of year with a drink (6)
15 Ill? Rest uneasily. Could hold up growth (7)
18 Noble watering place in comeback keeping listeners covered? (7)
20 Not on reserve duty (6)
22 Newspaper result (5)
24 Travelling, I'm cutting time in train somehow (9)
25 Shakespearean character made end so unexpected (9)
26 No professionals put it in song (5)
27 Tell about being delayed (6)
28 The age of political involvement (8)

DOWN

1 Get in step with spring (6)
2 Doctor should be keeping records (9)
3 The prices are well down here (7-8)
4 A crime left acre abandoned near New York (7)
6 A glowing portrait? (7,2,6)
7 Vigorously dug most of row for a plant (5)
8 Want to speculate? The gold is leader of everything (8)
9 One producing lines about ship in the drink (6)
16 Rising pitch in endless fortune I have, showing profit (9)
17 One leaves what's left for jogging the memory (8)
19 Tar associated with pitch? (6)
20 The art of handling the paper (7)
21 Guy batting to remain "not out" (4,2)
23 Some ropiness is always indicative of it (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 3.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.

Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks					0732 450161	
Equity Dist	5	331.1	337.0	356.6	2.95	41453
Equity Acc	5	425.0	432.5	457.7	2.95	41454
Fixed Int Dist	5	116.6	118.6	122.9	9.09	41455
Fixed Int Acc	5	206.7	210.3	217.9	9.09	41456
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE						
TSB American	5	96.28	96.28	102.52	[illegible]	[illegible]
Do Accum	5	103.46	103.46	109.94	[illegible]	[illegible]
TSB Brit Growth	5	55.17	55.17	58.69	[illegible]	[illegible]
Do Accum	5	56.95	56.95	60.59	[illegible]	[illegible]
TSB European	5	48.37	48.37	51.46	[illegible]	[illegible]
Do Accum	5	49.69	49.69	52.86	[illegible]	[illegible]
TSB Extra Income	5	146.80	147.87	157.25	[illegible]	[illegible]
Do Accum	5	189.48	190.85	202.98	5.73	[illegible]
TSB Smaller Cos	5	56.21	56.82	60.45	1.13	[illegible]
Do Accum	5	55.77	57.41	61.07	1.13	[illegible]
TSB General	5	177.61	178.12	189.44	3.31	[illegible]
Do Accum	5	307.44	308.20	327.92	3.31	[illegible]
TSB Gilt & Fxd Int	3¾	47.23	47.23	48.85	9.02	[illegible]
Do Accum	3¾	71.32	71.32	73.76	9.02	[illegible]
TSB Income	5	264.33	265.53	282.43	4.46	[illegible]
Do Accum	5	441.83	443.81	472.05	4.46	[illegible]
TSB Pacific	5	210.14	211.22	224.70	0.31	[illegible]
Do Accum	5	218.49	219.60	233.62	0.32	[illegible]
TSB International	5	321.70	321.28	343.41	0.95	[illegible]
Do Accum	5	404.76	404.76	431.90	0.95	[illegible]
TSB Nat Resources	5	63.04	63.76	67.83	1.34	[illegible]
Do Accum	5	66.27	67.02	71.30	1.34	[illegible]
TSB Sictd Opps	5	81.97	81.97	87.20	2.29	[illegible]
Do Accum	5	92.38	92.38	[illegible]	[illegible]	[illegible]
3i Unit Trust Managers Ltd (1000)F						
31 Homer Rd, Solihull, B91 3QA					01-928 3356	
Small Co's	5	50.67	50.67	53.47	—	41461
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000				Dealing: 01-379 0860		
American Eagle	5	61.54	61.54	65.86	0.90	41482
Australia	5	8.284	8.290	8.840	0.10	—
Commodity	5	80.11	80.11	86.30	0.57	41484
Convertible	5	148.1	148.1xd	159.6	4.79	41485
Equity	5	151.4	151.4	162.7	3.21	41486

	Bid Price	Offer Price	Yield Gross	City-line
MIM Ltd				
Mngd Pens (Acc)	54.8	58.4	0.80	41007
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Aug 17	38.4	40.1	2.27	41064
Euro Expt Aug 17	38.4	40.3xd	2.3	41065
Fixed Int Ex Aug 17	49.2	51.6	9.43	—
Japan Expt Aug 17	53.0	55.2	0.55	41066
Managed Ex Aug 17	38.8	41.1	4.95	41067
SE Asia Expt Aug 17	38.4	40.3	2.22	41068
Sm Cos Expt Aug 17	45.0	47.2	2.54	41069
UK Eqty Ex Aug 17	36.0	37.8xd	3.81	41070
New Court Property Fund Managers				
NC Property	189.3	199.5	—	41205
Phillips & Drew Fnd Management Ltd				
P&FM Small Co Fd	812.0	862.0	3.90	41138
Do Accum	838.0	890.0	3.90	41139
PDFM Int Expt Aug 18	123.2	125.2	2.65	41140
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.19	94.40	3.00	40172

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly Sy Aug 12	—	140.9	—	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth				0202 292373
Prop. Ser. 1	251.2	264.5	—	41608
Equity Ser. 1	116.8	122.2	—	41609
Prop. Acc. Ser 2	363.7	382.9	—	41610
Equity Ser 2	131.7	138.7	—	41611
Selective Acc	288.7	303.9	—	41612
Prop. Ser. 4	284.9	299.9	—	41613
Equity Ser. 4	133.9	141.0	—	41614

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd

Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	Yield Gross	City-line
Life Assurance Funds				
Wealth Assd.	389.6	410.2	–	43248
Eb'r Ph. Eq.	347.0	369.3	–	43249
Pension Plan Funds				
Phoenix				
UK Equity Acc.	171.6	181.6	–	43250
International Acc.	141.5	148.9	–	43251
Property Acc.	143.0	150.5	–	43252
Fixed Interest Acc.	155.2	163.3	–	43253
Money Acc.	142.8	150.3	–	43254
Bldg. Soc. Link Acc.	139.7	147.0	–	43255
Special Mngd. Acc Q.	154.2	162.3	–	43256
Phoenix/Framlington				
Intnl. Growth Acc.	88.50	93.10	–	43257
Am. Smllr. Cos. Acc.	86.60	91.10	–	43258
Capital 1st. Acc.	179.9	189.3	–	43259
Japan & Gen Acc.	198.7	209.1	–	43260
American Turn. Acc.	93.80	98.70	–	43261
Recovery Tst. Acc.	182.0	191.5	–	43262
Special Mngd Acc.	151.6	159.5	–	43263
Phoenix/GT				
International Acc.	133.6	140.6	–	43264
US & General Acc.	86.20	90.70	–	43265
Amer Spec Sits Acc.	64.70	68.10	–	43266
Japan & General Acc.	198.1	208.5	–	43267
Far East & Gen. Acc.	146.1	153.7	–	43268
UK Capital Acc.	182.7	192.3	–	43269
European Acc.	141.2	148.6	–	43270
Special Mngd. Acc.	131.0	137.0	–	43271

Pioneer Mutual Insurance Co Ltd

16 Crosby Rd. N. Waterloo, Liverpool 051-925 6655

	Bid Price	Offer Price	Yield Gross	City-line
Managed Fund	266.9	281.0	–	43272
Man Pens Inc & Cap Fds	340.9	358.9	–	43273
Money Fund	113.7	119.7	–	43274
Pens Mngd Fd (Unit)	98.0	94.8	–	43275
Pens Mngd Fd (Acc)	104.0	109.5	–	43276
Pens FT30 Fd (Unit)	127.6	134.4	–	43277
Pens FT30 Fd (Acc)	147.4	155.2	–	43278
Pens O'seas MgFd (Unit)	59.5	62.7	–	43279
Pens O'seas MgFd (Acc)	68.8	72.5	–	43280
Pens Fxd Int Fd (Unit)	107.3	113.0	–	43281
Pens Fxd Int Fd (Acc)	123.9	130.5	–	43282
Pens Deposit Fd (Unit)	101.6	107.0	–	43283
Pens Deposit Fd (Acc)	117.4	123.6	–	43284

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

Provident Mutual Life Assc. Assn.

Walsworth Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	Yield Gross	City-line
Managed Ord	290.7	306.0	–	43484
Managed Init.	240.1	252.7	–	43485
Equity Ord.	417.7	439.7	–	43486
Equity Init.	345.0	363.2	–	43487
Index Linked Gilt Ord.	122.7	129.2	–	43488
Index Linked Gilt Init.	105.8	111.0	–	43489
Overseas Equity Ord.	254.4	267.0	–	43490
Overseas Equity Init.	210.1	221.2	–	43491
Property Ord.	168.6	177.5	–	43492
Property Init.	139.2	146.5	–	43493
Fixed Interest Ord	169.7	178.6	–	43494
Fixed Interest Init.	140.1	147.5	–	43495
Deposit Ord	135.2	142.3	–	43496
Deposit Init.	111.7	117.6	–	43497
Pension Funds				
Managed Ord	352.4	370.9	–	43498
Managed Init.	291.0	306.3	–	43499
Equity Ord	527.5	555.3	–	43500
Equity Init.	435.7	458.6	–	43501
Pen Ind Lkd Gilt Ord	132.2	139.2	–	43502
Pen Ind Lkd Gilt Init.	114.0	120.0	–	43503
Overseas Equity Ord.	287.9	303.1	–	43504
Overseas Equity Init.	237.8	250.3	–	43505
Property Ord.	196.6	206.9	–	43506
Property Init.	162.4	170.9	–	43507
Fixed Interest Ord	192.1	202.2	–	43508
Fixed Interest Init.	158.6	166.9	–	43509
Deposit Ord.	168.5	177.4	–	43510
Deposit Init.	139.2	146.5	–	43511

For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	Yield Gross	City-line
Prufund				
Managed Aug 17	206.3	214.9	–	43512

Prudential Holborn Life Ltd

30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	Yield Gross	City-line
Holborn Series I Life Funds				
Managed	448.0	471.6	–	–
Equity	908.6	956.3	–	–
Fixed Interest	372.0	391.6	–	–
Property	348.3	366.7	–	–
Cash	244.5	257.4	–	–
International	304.7	320.8	–	–
Holborn Series II Life Funds				
Managed	439.7	462.9	–	43513

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
41	Redemption 3pc 1986-96	99¼	9.30	24.2	1Apr 1Oct	1278
2,050	Treas. 9½pc '88	99	10.90	21.3	25Apr 25Oct	1346
2,250	Treas 11½pc 1989	100	10.82	18.7	22Aug 22Feb	1291
855	Treas 9½pc Cnv 1989	99	10.77	14.3	18Oct 18Apr	1348
500	Treas 3pc 1989	96	8.31	8.4	15Nov 15May	1327
1,400	Treas 10½pc 1989	99	10.66	9.5	14Dec 14Jun	1287
2,400	Exch. 10pc 1989	99½	10.70	27.6	1Feb 1Aug	1250
2,000	Exch 11pc 1989	100	10.72	22.2	29Mar 29Sep	1256
601	Treas 5pc 1986-89	95	9.54	9.3	15Apr 15Oct	1329
535	Exch 10¼pcCv '89	100	10.13	8.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	103½	10.12	8.6	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	101	10.14	6.7	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	103	10.28	16.8	22Sep 22Mar	1262
[illegible]	Treas. 3pc 1990	91¼	8.65	5.4	8Nov 8May	1325
[illegible]	Treas 8¼pc 1987-90‡‡	96¼	10.32	9.5	15Dec 15Jun	1340
[illegible]	Treas. 8pc Cv 1990‡‡	97	9.14	9.6	16Jul 16Jan	4680
[illegible]	Treas. 10pcCv 1990	99	10.19	21.3	25Apr 25Oct	1285
[illegible]	2½pc 1990	88	8.15	15.4	22May 22Nov	1270
[illegible]	11¾pc 1991	103	10.18	3.6	10Jul 10Jan	1292
[illegible]	5¾pc '87-91‡‡	91¼	9.57	1.3	5Oct 5Apr	1275
[illegible]	Treas. 3pc 1991	87	8.27	6.4	13Nov 13May	1326
[illegible]	Treas 10pc Cv '91‡‡	100	9.94	6.6	12Jan 12Jul	1286
[illegible]	11pc 1991	102	10.14	21.3	25Apr 25Oct	1258
[illegible]	8pc 1991	94	10.08	4.5	10Jun 10Dec	1335
[illegible]	12¾pc 1992‡‡	107	10.10	15.6	22Jul 22Jan	1297
[illegible]	Treas 10pc 1992	99	10.05	15.7	21Aug 21Feb	1283
[illegible]	Treas. 8pc 1992‡‡	93¼	10.07	7.3	13Oct 13Apr	1337
[illegible]	10½pc Cv 1992‡‡	101	10.09	31.3	7Nov 7May	1289
[illegible]	Treas. 3pc 1992	83	8.10	5.5	11Dec 11Jun	1328
[illegible]	12¼pc '92	106	10.16	19.7	25Feb 25Aug	1265
[illegible]	Exch 13½pc 1992	110	10.20	16.8	22Mar 22Sep	1266
[illegible]	Treas 8¼pc 1993	93	10.09	12.7	18Aug 18Feb	–
[illegible]	Treas 10pc 1993‡‡	99	10.04	9.3	15Oct 15Apr	1279

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	45	3.50	7.78	3.5	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	45xd	3	6.67	1.8	1Feb 1Aug	2762
–	Do 4pc Mixed Ass.	45xd	2	4.44	5.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	75	2.75	3.67	3.5	1May	2935
40	Hydro Quebec 15pc 2011	135	15.00	10.78	28.4	31May 30Nov	–
30	Iceland 14½pc Ln 2016	128	14.50	11.17	4.1	31Jan 31Jul	–
30	Ireland 9¾pc '91-96	99¼xd	9.75	9.90	1.8	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,072.8	Abbott Laboratories	26	$1.20	2.6	12.7	Fb My Ag Nv	1503
224.2	Allegheny & W 1c.	434p	30c	4.1	–	–	–
1,234.3	Amax $1	12¼	0.30c	0.9	5.8	Mr Jn Se De	1581
1,351.8	Amdahl 5c.	25¼xd	20c	0.5	10.8	Mr Mr Jn Ag	–
2,506.4	Amer. Cyanamid $5	27¼	$1.20	2.6	22.2	Mr Je Se De	–
8,519.5	Amer Express 60c	17¼xd	76c	2.6	4.7	Fb My Ag Nv	1594
777.1	Amer. Medical Int. $1	956p	472c	4.4	11.1	Fb My Au Nv	–
15,588.4	American T. & T. $1	14½	$1.20	4.9	27.5	Fb My Ag Nv	1597
7,330.8	Ameritech $1	52¾	$5.40	6.1	27.6	Fb My Ag Nv	–
455.0	Amtact	27¾	–	–	11.04	Mr Jn Se De	–

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price $	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,572.2	Texaco $6.25	27 1/16	♦$3.00	6.5	4.8	Mr Je Se De	4200
5,319.3	Time Inc. $1	55 1/2xd	$1.00	1.0	24.01	Mr Je Se De	4234
1,503.9	Transamerica $1	19 5/8xd	$1.84	5.5	29.5	Ja Ap Ju Oc	4289
512.6	TRINOVA Corp	15xd	64c	2.5	10.8	Mr Je Se De	4309
4,994.5	USX $1	16 7/8	$1.20	4.3	2.8	Mr Je Se De	4360
2,770.8	Utd. Technologies	21 1/4xd	$1.60	4.4	19.5	Mr Jn Sp Dc	4381
6,386.8	US West	37 3/4	$3.52	6.5	13.4	Fb My Ag No	–
4,680.1	Waste Management $1	20 1/4xd	48c	1.4	17.5	Ap Jly Oc Jan	4439
1,047.1	Whirlpool $1	15 1/8	$1.10	4.3	25.01	Mr Jn Se De	–
1,962.1	♦Woolworth $3 1/2	29 3/4	$1.64	3.2	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	216p	–	–	–	–	–
–	♦Abbot Energy Corp	13 1/2p	–	–	–	–	–
590.4	♦Amer. Barrick Res.	10 1/4	–	–	–	–	–
–	American Lightwave	4 1/2p	–	–	–	–	–
–	♦Armeno	15 1/2p	–	–	–	–	–
–	Augmitto Explo.	37 1/2p	–	–	–	–	–
1,364.5	Bk. Montreal	13 1/4xd	$2.00	7.4	8.8	Fb My Ag Nv	–
1,093.0	Bk. Nova Scot.	659p	76c	5.6	28.6	Ja Ap Ju Oc	–
4,762.0	BCE	17 5/8xd	$2.44	6.7	6.6	Ap Jy Oc Ja	–
260.9	♦Bow Valley	630p	♦40c	3.1	15.12	May Nov.	–
831.7	♦Brascan	12 1/4	89c	3.5	28.10	Ja Ap Jy Oc	–
52.0	♦Breakwater Res.	232p	10c	2.1	–	–	–
1,760.7	Can. Imp Bank	11 1/4	$1.16	5.0	29.6	Fe My Au No	–
3,220.1	Can. Pacific	10 5/8	60c	2.7	28.6	July Jan.	–
18.9	Do. 4pc Deb £100.	40 1/2	4%	9.9	24.5	July Jan	2051
–	Central Capital "A"	479p	–	–	–	–	–
–	♦Corona Corp	443p	–	–	–	–	–
59.2	Cons. TVX Min.	365p	–	–	–	–	–
–	Danbus Res.	335p	–	–	–	–	–
–	Derlan Inds.	501p	11.75c	1.0	3.6	Mr Je Se De	–
1,006.3	♦Echo Bay Mines	10 5/8	$0.07	0.4	–	June Dec	–
–	Energex Minerals	28p	–	–	–	–	–
–	Euro-Asia Capital Ltd	108p	–	–	–	–	–
83.8	♦Galactic Resources	281p	–	–	–	–	–
12.8	♦Geodome Res.	96p	–	–	–	–	–
42.7	Granges Expln	196p	–	–	–	–	–
–	♦Gt Pacific Res.	110p	–	–	–	–	–
–	♦Gulf Canada	843p	52c	3.0	26.3	Ja Ap Jy Oc	–
87.6	♦Hawker Sid Can	10 3/4	$1.08	4.9	15.11	Ap Jy Oc Ja	–
–	Henlys Group	455p	–	–	–	–	–
265.8	♦Hudson's Bay	890p	60c	3.3	2.10	Mr Jn Sp Dc	–
4,226.2	♦Imperial Oil	26	$1.80	3.4	26.11	Mr Je Se De	–
1,793.2	Inco	17	US$0.80	2.8	27.4	Jan.Ap.J.O.	–
–	♦Inland Nat. Gas $1	575p	60c	5.1	30.12	Fe My Au No	–
11.4	Madeleine Mines	194p	–	–	–	–	–
–	♦Muscocho Expln.	199p	–	–	–	–	–
–	♦Ntnl Business Syst.	84p	–	–	–	–	–
–	♦Nevada Goldfields	201p	–	–	–	–	–
442.4	♦Rio Algom	10 3/4	$1.30	6.1	5.11	June Dec	–
2,131.8	Royal Bk. Can.	15 1/4	$2.08	6.6	20.10	Mr Je Se De	–
3,020.8	Seagram	31 5/8	US$1.20	2.2	14.2	Se De Mr Jn	–
–	♦Sonora Gold Corp	175p	–	–	–	–	–
–	Spiral Enp.	115p	–	–	–	–	–
–	Tara Pure Tech. Corp.	119 1/2p	–	–	–	–	–
2,303.0	Toronto-Dom. Bk.	15 3/4	$1.12	3.5	22.12	F My Au No	–
–	♦Trans Atlantic Res	24p	–	–	–	–	–
762.6	♦Trans Can Pipe	612p	68c	5.4	1.12	Ja Ap Jy Oc	–
269.9	Varity Corp	163p	–	–	11.7	–	–

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,997.3	ANZ SA1	239	♦rQ21c	4.0	31.5	Feb July	1698
542.6	Allied Irish	256	Q65.3%	5.3	23.5	Dec July	1354
1,317.0	Algemene Fl.10	£12 1/4	Q27%	6.2	3.5	Aug May	1567
12.8	Anglo Irish	65	Q9.6%	6.3	23.5	June Dec	1355
161.4	Ansbacher (N.) 1p.	88	2.0	3.0	21.3	April	1624
2,409.2	Banco de Bilbao S.A.	£36 3/4	Q67 2%	4.5	9.12	Dec June	–
3,490.7	Banco de Santander	£30 1/4	Q22%	1.7	3.5	March Sept	–
588.3	Bank Ireland Ir£1	238	Q5.6%	5.5	23.5	July Dec	1360
117.8	Bank Leumi	£18 1/2	–	–	–	–	1740

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	71	......
Craig & Rose £1.. γ	700	−10
Finlay Pkg. 5p.... γ	90	+1
Nolt (Jos) 25p.... γ	£11⅞	......

IRISH

Nat. 9¾% 84/89..	£100¼	......
9pc Cap Ln 1996..	£99½	......
Fin. 13% 97/02...	£119	......

Arnotts............... γ	365	......
Carrol Inds........... γ	153	−1
Grafton Grp......... γ	128	......
Hall (R. & H.)	163	−1
Helton Hldgs........ γ	53	......
Irish Ropes.......... γ	165xd	......
Unidare............... γ	490	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	54
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met.	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	38
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	38
Rank Org Ord.	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Britain faces twin problems on trade and inflation

By Colin Millham

THERE IS a growing and rather alarming consensus in the City that the UK is heading for problems on its balance of payments and the rate of inflation.

The payments deficit could produce a run on sterling, and this is the biggest risk for inflation, according to Dr Gerard Lyons, chief UK economist of SBCI Savory Milln.

If the authorities then defend the currency by pushing interest rates higher this will cause problems for industry.

Dr Lyons believes that a large part of the UK's public sector surplus should be used in next year's Budget to aid industry through tax changes that boost investment and not further personal consumption.

Monday and Tuesday of last week produced several figures illustrating these points.

On Monday it was announced that July retail sales rose by an alarming 2 p.c., while a CBI/FT survey pointed to continued buoyant demand in August.

In contrast, June UK industrial production fell 0.85 p.c., against expectations of a 0.2 p.c. rise.

On the following day the City was surprised to hear that there was a July budget surplus of £1.69bn. This takes the cumulative Public Sector Debt Repayment for the present financial year to £3.2bn.

Warburg Securities believes the trend is set to continue, as a buoyant labour market lessens pressure on the social security budget; wage and consumer spending growth remain strong; and there is another record corporate tax paying season.

Warburg forecasts that the PSDR surplus for the full year will be in the region of £10bn.

Such good figures could be expected to produce a very favourable reaction in the financial markets, but this was not the case last week. Burgeoning government revenue is seen as an illustration of strong growth and the dangers of overheating.

In a rather perverse reaction markets rallied on Thursday following news of record £9bn bank and building society lending in July. The figure was bad, but was the result of known factors, and was not quite as bad as some fears.

The biggest hurdle for sterling markets this week is likely to be Thursday's trade figures.

It will be no surprise if the July figures are very much in line with the June visible deficit of £1.52bn, and the current account shortfall in the same month of £1.02bn.

Forecasts range from about £1.25bn to £1.6bn on the visible deficit, and to £750m to £1.1bn on the current account. According to MMS International the median view is for £1.5bn on visible trade and £1bn on current account.

CL-Alexanders Laing & Cruickshank says the economic outlook is getting gloomier by the minute, and forecasts a UK current account deficit for the full year of £11bn, and inflation of 5.7 p.c. by the end of the year.

SBCI Savory Milln, expects a £12bn current account deficit for the year, and inflation to peak at 6 p.c. in the first quarter of next year.

Warburg points out that last week's warning to Britain from the Organisation for Economic Co-operation and Development on the dangers of the trade deficit and inflation were based on out of date figures released in June, when the annual current account deficit was expected to be £5.75bn.

The report was written some time ago, and Warburg asks what does the OECD think now about the twin problems of inflation and the balance of payments.

£ IN NEW YORK

Aug.19	Close	Previous Close
£ Spot	1.6980-1.6990	1.6980-1.6990
1 month	0.36-0.34pm	0.38-0.35pm
3 months	1.15-1.12pm	1.17-1.13pm
12 months	3.30-3.20pm	3.38-3.28pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.19	Previous
8.30 am	76.7	76.8
9.00 am	76.7	76.7
10.00 am	76.7	76.7
11.00 am	76.7	76.7
Noon	76.7	76.6
1.00 pm	76.7	76.7
2.00 pm	76.7	76.7
3.00 pm	76.7	76.6
4.00 pm	76.7	76.7

CURRENCY RATES

Aug.19	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.760779	0.646441
U.S Dollar	6.50	1.28777	1.09960
Canadian $	8.75	1.58396	1.34481
Austrian Sch	3½	17.2471	14.6488
Belgian Franc	7	51.1631	43.6650
Danish Krone	7½	9.38462	7.97208
Deutsche Mark	3	2.32775	2.08286
Neth.Guilder	4	2.75454	2.35149
French Franc	9½	8.27392	7.05985
Italian Lira	12½	1810.22	1541.63
Japanese Yen	2½	172.304	146.741
Norway Krone	8	8.94743	7.60921
Spanish Peseta	-	160.765	136.493
Swedish Krona	8½	8.38531	1.13088
Swiss Franc	2½	2.05786	1.75166
Greek Drach.	20½	196.552	167.073
Irish Punt	-	0.908352	0.776387

*All SDR rates are for Aug 18

CURRENCY MOVEMENTS

Aug.19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.7	-15.2
U.S Dollar	99.6	-8.4
Canadian Dollar	84.3	-3.5
Austrian Schilling	132.8	+9.6
Belgian Franc	97.3	-6.5
Danish Krone	88.4	-0.3
Deutsche Mark	142.9	+20.2
Swiss Franc	164.5	+19.1
Guilder	131.5	+12.8

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6650	+2.84	+1.06	±1.5344
Danish Krone	7.85212	7.97208	+1.53	-0.25	±1.5404
German D-Mark	2.05853	2.08286	+1.18	-0.60	±1.0981
French Franc	6.90403	7.05985	+2.26	+0.48	±1.3674
Dutch Guilder	2.31943	2.35149	+1.38	-0.40	±1.5012
Irish Punt	0.768411	0.776387	+1.04	-0.74	±1.6684
Italian Lira	1483.58	1541.63	+3.91	+2.81	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Aug.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6960 - 1.7045	1.7015 - 1.7025	0.36-0.35cpm	2.50	1.14-1.09pm	2.62
Canada	2.0790 - 2.0915	2.0900 - 2.0910	0.24-0.17cpm	1.18	0.74-0.62pm	1.30
Netherlands	3.63 - 3.64	3.63 - 3.64	1¾-1⅝cpm	5.57	5¼-5⅛pm	5.98
Belgium	67.35 - 67.75	67.45 - 67.55	30-15cpm	4.00	80-61pm	4.18
Denmark	12.31¼ - 12.34¼	12.31¼ - 12.32¼	3¼-2½orepm	0.68	9¾-8¼pm	3.00
Ireland	1.1985 - 1.2025	1.2000 - 1.2010	0.37-0.32ppm	3.45	1.23-1.08pm	3.85
W. Germany	3.21¼ - 3.22¼	3.21¼ - 3.22¼	1⅝-1½pfpm	5.82	5-4¾pm	6.06
Portugal	261.20 - 262.55	261.45 - 262.45	23-69cdis	-2.11	79-172dis	-1.92
Spain	210.45 - 211.70	210.50 - 210.80	33-13cpm	1.31	72-50pm	1.16
Italy	2384 - 2390	2385¼ - 2386¼	3-par lirepm	0.75	6-parpm	0.50
Norway	11.72½ - 11.78	11.76¼ - 11.77¼	1½-2oredis	-1.78	5⅜-6dis	-1.93
France	10.91¼ - 10.93½	10.91¼ - 10.92¼	3⅞-3cpm	3.50	9⅛-8⅞pm	3.39
Sweden	11.02 - 11.04	11.02¼ - 11.03¼	¼-⅜orepm	0.67	2⅞-2¼pm	1.00
Japan	226½ - 227¾	226¾ - 227¾	1⅜-1¼ypm	6.93	3⅞-3⅝pm	6.60
Austria	22.58 - 22.67	22.64 - 22.67	11½-10⅝gropm	5.86	34-31½pm	5.77
Switzerland	2.70¼ - 2.71¼	2.70¼ - 2.71¼	1⅞-1⅝cpm	7.76	5¼-5pm	7.57

Belgian rate is convertible francs. Financial franc 68.45-68.55. Six-month forward dollar 1.97-1.92cpm 12 months 3.35-3.25cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6960 - 1.7045	1.7015 - 1.7025	0.36-0.35cpm	2.50	1.14-1.09pm	2.62
Ireland†	1.4130 - 1.4200	1.4190 - 1.4200	0.19-0.24cdis	-1.82	0.52-0.62dis	-1.61
Canada	1.2220 - 1.2300	1.2265 - 1.2275	0.12-0.15cdis	-1.32	0.39-0.42dis	-1.32
Netherlands	2.1295 - 2.1435	2.1350 - 2.1360	0.54-0.52cpm	2.97	1.67-1.64pm	3.09
Belgium	39.56 - 39.85	39.60 - 39.70	6.00-4.00cpm	1.51	17.00-13.00pm	1.51
Denmark	7.23¼ - 7.26¾	7.23½ - 7.24	0.30d-orepar	-0.25	0.80-0.40pm	0.33
W. Germany	1.8875 - 1.8995	1.8915 - 1.8925	0.54-0.52pfpm	3.35	1.61-1.58pm	3.36

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.650	5.57	6.10	6.50	7.07	0.79	1.55	2.24	3.00
1.675	3.75	4.44	4.94	5.59	1.48	2.39	3.20	4.04
1.700	2.26	3.08	3.65	4.34	2.32	3.44	4.31	5.28
1.725	1.30	2.06	2.62	3.31	3.82	4.91	5.78	6.73
1.750	0.82	1.40	1.92	2.47	5.66	6.63	7.45	0.25
1.775	0.43	0.85	1.41	2.00	7.75	8.57	9.30	10.02
1.800	0.21	0.59	0.95	1.46	9.92	10.57	11.82	11.94

Previous day's open int: Calls 542,677 Puts 421,518

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price
1.650
1.700
1.750
1.800
1.850
1.900
1.950

Estimated volume total, Calls N/A Puts N/A

MONEY MARKETS

Prospects improve but danger remains

PROSPECTS FOR interest rates in London improved a little last week.

It was the view in the City that the Bank of England wishes to maintain the present base rate level of 11 p.c. for as long as possible. This is in order to find out if the rise of 3½ percentage points in rates since the beginning of June has taken the steam out of the UK economy and eased the pressure on inflation.

By the time the money supply and bank lending figures were released last Thursday the financial markets were discounting bank and building society lending in July of at least £9bn, and were therefore not disappointed.

There was also relief on the same day that the underlying rise in the rate of average earnings was unchanged at 8.5 p.c. in June.

UK clearing bank base lending rate 11 per cent from August 9

Providing this week's trade figures do not produce anything really alarming - such as a visible deficit of over £2bn - the biggest danger to higher interest rates in London may come from the other side of the Atlantic.

Strong US growth continues to support the dollar on speculation about higher interest rates.

Figures on the US economy will be watched this week for signs of inflationary pressure, and another tightening of the Federal Reserve's monetary policy.

A first revision to second quarter US Gross National Product growth will be announced on Thursday. Morgan Grenfell suggests that trade revisions and strong economic figures seen for June point to an upward revision.

Morgan Grenfell, and Nomura Research Institute, suggest a rise to 3.3 p.c. from 3.1 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.19) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8¾	bid 8⅞	offer 9

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	10	One month	6.57	Three year	8.86
Broker loan rate	9¼-¼	Two month	6.74	Four year	8.95
Fed.funds	8⅛	Three month	7.28	Five year	9.06
Fed.funds at intervention	-	Six month	7.93	Seven year	9.20
		One year	8.25	10-year	9.35
		Two year	8.73	30-year	9.41

Aug.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.75-4.85	5.00-5.15	5.10-5.20	5.30-5.35	5.45-5.65	5.00
Paris	7⅛-7½	7⅛-7½	7⅛-7⅜	7⅞-7¼	7⅞-8¼	6.75
Zurich	1⅝-1⅞	2⅞-3¼	-	3⅝-3⅞	-	-
Amsterdam	5¼-5⅜	5⅜-5⅝	-	5⅞-5⅞	-	-
Tokyo	3.52875	4.15625	-	-	-	-
Milan	9⅞-10¼	10⅝-11¼	-	11-11⅝	-	-
Brussels	6.80	6⅞-6⅞	-	7⅛-7⅜	-	-
Dublin	7⅛-7⅝	7⅝-7⅝	7½-7¾	7⅝-7⅝	8⅛-8⅜	-

BANK OF ENGLAND TREASURY BILL TENDER

	Aug.19	Aug.12		Aug.19	Aug.12
Bills on offer	£100m	£100m	Top accepted rate of Discount	10.7695%	10.6893%
Total of applications	£492m	£667m	Average rate of discount	10.7308%	10.6781%
Total allocated	£100m	£100m	Average yield	11.0258%	10.9701%

LONDON MONEY RATES

WEEKLY CHANGE IN WORLD INTEREST RATES

BASE LENDING RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

EUROPEAN OPTIONS EXCHANGE

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — GERMANY — ITALY — NETHERLANDS — NORWAY — SPAIN — SWEDEN — SWITZERLAND — SOUTH AFRICA — JAPAN — AUSTRALIA — HONG KONG — SINGAPORE

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NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices August 19

[illegible]

MONTREAL
Closing prices August 19

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 19

Continued from page 29

[illegible]

INDICES

NEW YORK DOW JONES

	Aug 19	Aug 18	Aug 17	Aug 16	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2016.00	2027.03	2025.96	2021.51	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.10	88.10	88.05	88.11	91.25 (3/3)	86.12 (4/1)	—	—
Transport	844.83	845.85	846.33	844.83	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	177.34	175.32	175.62	174.79	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2040.90 (2046.59) Low 2011.38 (2014.22)

STANDARD AND POOR'S	Aug 19	Aug 18	Aug 17	Aug 16	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	260.24	261.03	260.77	260.56	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	298.44	299.90	299.47	299.31	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	25.08	24.96	24.94	24.88	25.54 (3/8)	21.52 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	147.54	147.81	147.64	147.49	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	295.03	294.96	294.13	294.57	309.33 (30/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	377.42	377.22	376.22	375.66	394.77 (18/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Aug 12	Aug 5	Jul 29	year ago (approx.)
Dow Industrial Div. Yield	3.73	3.51	3.62	2.54

	Aug 17	Aug 10	Aug 3	year ago (approx.)
S & P Industrial div. yield	3.29	3.26	3.11	2.40
S & P P/E ratio	13.57	13.65	14.25	23.20

TRADING ACTIVITY †Volume Millions

	Aug 19	Aug 18	Aug 17
New York	122.330	139.820	169.500
Amex	6.570	6.898	8.712
OTC	118.380	115.768	123.854

NEW YORK	Aug 19	Aug 18	Aug 17
Issues Traded	1,915	1,946	1,917
Rises	781	730	659
Falls	610	639	745
Unchanged	524	577	513
New Highs	8	15	6
New Lows	29	24	25

CANADA

TORONTO [illegible]

NEW YORK ACTIVE STOCKS

[illegible]

	Aug 19	Aug 18	Aug 17	Aug 16	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1640.7	1631.1	1608.1	1600.1	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	832.0	823.0	807.5	804.3	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	199.65	199.60	199.70	198.00	199.70 (17/8)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	4899.70	4901.40	4899.30	4872.07	5043.1 (9/5)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	222.74	222.35	222.28	221.58	227.86 (3/8)	180.68 (4/1)
FINLAND						
Unitas General (1975)	756.0	748.8	745.5	750.4	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	352.1	351.8	349.7	349.4	368.5 (8/7)	251.3 (29/1)
Ind. Tendance (31/12/87)	132.8	132.1	131.6	129.6	137.6 (7/7)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	481.79	487.26	484.92	479.22	495.78 (8/7)	396.40 (29/1)
Commerzbank (1/12/53)	1467.1	1485.3	1477.4	1458.1	1510.4 (8/8)	1207.9 (29/1)
DAX (30/12/87)	1170.78	1173.95	1182.18	1158.76	1199.96 (5/7)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2579.75	2571.41	2594.66	2589.36	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	538.82	538.64	537.58	529.97	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28209.42	28178.36	28178.86	27896.55	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2205.87	2203.87	2206.55	2187.49	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	274.3	275.2	274.0	268.7	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	234.5	235.4	233.0	226.6	239.3 (9/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	396.58	399.54	398.01	387.65	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1081.50	1096.37	1120.27	1120.88	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1254.0§	1244.0	1255.0	1275.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1622.0§	1626.0	1630.0	1632.0	1758.0 (20/7)	1367.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	293.38	294.11	293.43	291.97	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3005.8	2999.3	2977.6	2967.7	3112.90 (5/8)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	555.1	552.9	551.0	543.7	559.0 (9/8)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	442.6	442.7	442.9	465.2 (15/6)	401.0 (21/1)

**Saturday August 20: Japan Nikkei (c) and TSE (c)
§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

4pm prices August 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	14	AAR s	.36	1.5	16	40	24⅝	24⅛	24⅝	+ ⅛
		ACM e				4881	10	10	10	
12⅛	9½	ACMIn n1.40e		12.		282	11⅞	11⅝	11⅝	– ⅛
12⅛	10⅛	ACMSc n1.25		12.		650	10⅞	d10⅝	10⅞	
19⅛	9	ACMSp n.17e		1.8		684	9⅞	d 9⅞	9⅞	+ ⅛
27⅞	19½	AGS			26	915	27⅞	27⅛	27⅞	+ ½
7⅞	2⅝	AMCA				2	3⅞	3⅞	3⅞	+ ⅛
8⅛	3¼	AM Ind				729	5½	5⅜	5⅜	– ⅛
29¼	17	AM Int pf	2	9.3		20	21½	21¼	21½	+ ⅜
64⅝	25¼	AMR			9	1637	43⅝	43⅛	43¼	+ ⅛
27	36	ANR pf	2.67	10.		2	25½	23½	29½	+ ¼
24⅝	18	ANR pf	2.12	9.0		204	23⅝	23⅛	22⅞	+ ¼
11⅛	6¼	ARX			19	37	7⅞	7⅞	7⅞	– ⅛
79½	35¼	ASA	6	8.2		441	60⅞	60¼	26⅛	– ¼
22⅞	0½	AVX	.06e	.3	12	377	10¼	16⅞	19⅞	+ ⅛
68⅞	40	AbtLab	1.20	2.6	15	1986	46	43½	45⅝	
27¼	16⅛	Abitibi g	1			24	17¼	17⅛	17¼	+ ⅛
16½	8⅛	AcmeC	.40	4.1		310	9⅞	9⅛	9⅛	– ⅛
16½	8⅛	AcmeE	.32b	4.6	50	5	7	6⅞	7	+ ¼
20	14⅛	AdaEx	3.05e	20.		43	10⅛	15½	10⅞	+ ⅛
10⅛	6⅞	AdamMl	.24	1.5	15	7	10⅛	16¼	16¼	
24⅞	7½	AMD				2520	11⅞	11⅛	11⅛	
36⅛	29¼	AMD pf	3	8.5		9	35½	35½	35½	– ½
10⅞	4⅝	Adobe				452	7⅞	7½	7⅛	+ ⅞
21⅛	17½	Adob pf	2.40	11.		1	20⅞	20⅞	20⅞	– ⅝
12⅞	5⅞	Advest	.10	1.4	16	123	6⅛	8⅞	0⅛	
84¼	20½	AetnLf	2.76	5.7	6	1268	48¼	48¼	48⅛	+ ⅛
40	20½	AflPb s	.20	.8		239	35⅛	28¼	30⅞	– ½
23⅛	13	Ahmans	.50	5.7	16	586	15⅛	18¼	15⅞	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
1¼	½	RvrOak				28	¾	11-16	11-16	
20¼	11⅞	Robtsn			4	14	11⅝	11½	11½	
29⅛	12¾	vjRobins			13	210	28	25¾	20¾	− ⅛
19¾	14¼	RochG	1.50	8.9	11	1345	17	16½	16⅞	− ⅛
49⅝	37	RochTl	2.72	6.6	16	24	40⅞	40⅞	40⅞	− ⅛
12⅝	6⅝	Rckwy	.36	3.8	11	112	9½	9⅜	9½	
20	14⅛	RckCtr	1.64	9.4	14	97	19⅝	19½	19½	
28½	13¼	Rockwl	.72	3.7	7	6108	20¼	19½	19½	− ½
10½	4⅞	RodRen	.14	1.6		2	8	8	8	− ⅛
52	24	RoHaas	1.12	3.8	11	116	35⅞	33¾	33⅞	+ ⅛
37⅝	12⅞	Rohr			17	294	29⅝	29½	29⅝	+ ⅛
23⅞	11½	RollnsE	.08	.5	21	806	16½	16⅛	16⅛	+ ⅛
22¾	12¼	Rollins	.52	3.2	10	127	16½	16⅛	16⅛	+ ⅛
39⅛	18⅞	Rorer s	.80	2.3	20	590	35⅝	35	35	− ⅛
15	3¾	Rowan				316	7	6⅞	7	
135⅛	94⅞	RoylD	6.62e	6.0	7	1540	110¼	109⅞	110⅛	+ ½
13½	8	RoyInt	.16e	1.5	13	82	10⅝	10⅝	10⅝	− ⅛
9⅝	5⅞	Roysе	.52e	6.6		202	8⅝	8⅝	8⅝	+ ⅛
35	19	Rubmd	.36	1.6	16	2261	22⅞	22⅛	22⅝	+ ⅞
45¾	17½	RussBr	.40	2.1	8	122	18⅝	18⅝	18⅝	
18⅛	10⅝	Russell	.24	1.6	12	45	15½	15¼	15¼	− ⅛
41	20	Ryder	.56	2.3	15	1979	25⅝	24⅞	25⅞	+ ⅝
62⅛	17⅛	Rykoff	.68	2.3	18	114	29	28¾	29	+ ⅛
28½	11	Ryland	.60	3.4	6	146	15⅛	14⅞	14⅞	− ⅛
20⅜	7½	Rymer			18	39	10⅝	10⅜	10⅝	
		— S — S — S —								
38¼	27⅝	SCEcp	2.48	7.9	71	1984	31⅝	31½	31⅝	− ⅛
17	5	SCOR U.10e		1.3	6	10	7⅞	7⅞	7⅞	+ ⅛
45⅞	20⅞	SPSTec	1	2.4	17	29	42⅝	42⅝	42⅝	− ⅛
39⅝	21¾	SPX Cp	1.20	4.0	12	798	30½	30¼	30¼	− ⅛
31½	76	SSMC			40	440	23	22⅛	22⅞	+ ⅞
33⅞	16½	Saatchi	1.06e	5.8	6	575	18⅞	18⅝	18⅝	
13⅝	10	SabnR	1.42e	12.	8	30	12	11⅞	11⅞	+ ⅛
12½	9	SigdSc			9	80	15⅛	10	10	− ⅛
39½	21¾	SalKin	.30	1.2	23	661	25½	25	25	− ⅛
[illegible]										

— T — T — T —

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

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— V — V — V —

— W — W — W —

— X — Y — Z —

[illegible]

AMEX COMPOSITE PRICES

Closing prices August 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

Continued on Page 27

OVER-THE-COUNTER

Nasdaq national market, 4pm prices August 18

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 27

The Business Column

When culture blocks cohesion

WALK round almost any factory in Europe or the US these days, and you will see placards inscribed "Quality 88," "World Class Manufacturer by 1990," or other such slogans proclaiming an ambitious improvement drive.

Under intense competitive pressure, usually from the Far East, many manufacturers have tried to run not just one campaign, but several at once: to reduce labour and material costs, to cut reject rates and inventory levels, to compress production cycle times, and to speed up the rate of new product introduction.

But many of these programmes have foundered on internal resistance from both workers and management. The reasons are examined by three leading American business school professors in a weighty new book, Dynamic Manufacturing, to be published shortly (by Free Press in the US and Collier Macmillan in the UK).

Like the human body's rejection of essential organ transplants, argue Professors Robert Hayes, Steven Wheelwright and Kim Clark, such improvement campaigns are often perceived as subverting the basic working of the organisation: its administrative processes, its approach to managerial control, its performance measurement and reward systems, and its management selection and promotion mechanisms.

As the professors point out, most improvement programmes also conflict with the principles underlying three deep-rooted types of specialisation in Western companies: "functionalisation" into separate groups and departments; the clear separation of line from staff roles; and the setting up of divisions along product, market or geographic lines. The result is that few Western organisations can act cohesively at any level without elaborate, time-consuming, and usually resented co-ordination from the centre.

As Dynamic Manufacturing argues, this might not have mattered in a stable environment, where pressure on any sub-group to improve its performance was usually marginal, and did not affect the others too dramatically. But in today's business environment when companies are having to cut defect rates by a factor of 10 and slash inventories and product development times by half, no sub-group can act on its own. Improvements by one group may also harm the performance of another, as reflected by the narrow measures applied to it.

The answer would seem to be obvious: first, change narrow measurement systems to reflect the organisation's wider interests; and second, break down the barriers further by a wholesale redesign of the organisation.

The professors advocate the first step strongly, but are chary of the second. A spate of large multinationals has followed the latter route over the past few years: 3M, Digital Equipment and Hewlett-Packard are three of many which had long prided themselves on extreme decentralisation, but which have now moved towards more centralisation and control. Others, such as Chrysler have tried to emulate many first-generation companies by relying on the leadership of a single person to provide the glue necessary to get different functions, divisions and levels to work better together.

Neither approach is entirely satisfactory, warns Dynamic Manufacturing: the Chrysler approach is too transient, while large-scale organisational restructuring is usually highly disruptive, so that it takes a long time – if ever – to have the desired effect. As the book suggests, formal changes will never be effective if established departmental rivalries and *other aspects of "informal organisation"* get in their way. The only solution, argue the professors, may be via the longest-term change of all, the creation of a set of *"shared values" in which co-operative* behaviour ranks above departmental squabbles.

Whether a dramatic shift in corporate culture can be effective – or can even be achieved – without some organisational changes must be doubtful. But there is certainly a strong case for arguing that companies will get more out of a culture shift than from constant and painful overhauls of their structure.

Christopher Lorenz

THE MONDAY INTERVIEW

The man of property

Barry Riley talks to Sir Nigel Broackes, chairman of Trafalgar House

Ashley Ashwood

'I'm extremely distrustful of people who work a 90-hour week'

THERE are so many things happening on a scale that hasn't happened before, says Sir Nigel Broackes of the outlook for UK construction and property development. He lists the projects under way: "King's Cross is 120 acres, Docklands is over 5,000 acres. We've had nothing like it in my lifetime."

As chairman of Trafalgar House, one of the UK's biggest property and construction groups, he talks enthusiastically about the prospects for the industry. "Even if there is another stock market collapse, there is so much momentum in so many things that I think we can look forward to several years of unparalleled activity."

This is aggressive talk from a man who has lived through the ups and downs of the economic cycle. Once a glamour stock, Trafalgar fell badly from stock market favour during 1985 and 1986 when its earnings stagnated. But the huge growth of property and construction is now boosting the group's fortunes.

Aged 54, Sir Nigel Broackes has been prominent in business for an astonishingly long time. He was only 22 when he started out in property, under the wing of Eastern International Investment Trust, and he was not yet 30 when Trafalgar House was floated.

"We were a public company when Jim Slater was still writing his tipping column for the Sunday Telegraph," he recalls.

Others were content to stick with the lucrative post-Second World War property sector, but he had broader ambitions. While Trafalgar House has been consistently involved in commercial property development, the group has also expanded into housing, construction, shipping and structural engineering, and made a profitable foray into newspapers with the purchase of Beaverbrook in 1977.

There were clear links between the various parts of the property/construction/shipping/leisure complex that Sir Nigel built up in the 1970s. Indeed, his strategies have been closely mirrored by his contemporary Sir Jeffrey Sterling at the P&O group, a company for which Trafalgar made an abortive takeover offer in 1983. But Trafalgar's moves into heavy engineering were unique and controversial.

"I quite agree that people were surprised," Sir Nigel admits. "The original link had been through Cementation, a business at the heavy end of the construction industry which Trafalgar acquired in 1971. Trafalgar set about turning Cleveland Bridge and Engineering, Cementation's Darlington subsidiary, into what it claims to be the most up-to-date steel fabrication plant in Britain. That led Trafalgar into the North Sea fabrication sector, with the purchase in 1984 of Scott Lithgow, on the Lower Clyde, from British Shipbuilders.

"Scott Lithgow was a very painful period for us," Sir Nigel says. The yard has now been mothballed and Trafalgar is claiming £188m in damages from British Shipbuilders. The whole offshore scene has been a disappointment.

PERSONAL FILE

1934 Born Wakefield; educated at Stowe
1952 Stewart & Hughman Ltd, Lloyd's Underwriting Agents
1953 Commander, *3rd Hussars* (National Service)
1955 Involved in various property developments
1958 Managing director of Trafalgar House
1968 Deputy chairman and joint managing director, Trafalgar House
1969 Chairman Trafalgar House
1978 Guardian Young Businessman of the Year
1979 Chairman London Docklands Development Corporation
1984 Knighted

Onshore, the story has been different. As well as the expansion in construction, there has been a large shift from the reinforced concrete methods traditional in Britain towards the structural steel techniques typical of North America.

Trafalgar has just picked up some big contracts for the Canary Wharf project in London's Docklands and is poised to begin the Dartford bridge. There is also the tantalising prospect of an export contract for the third Bosphorus bridge.

The loss of the contract for the second Bosphorus bridge in 1985 led to recriminations over the alleged failure of the British Government to give the kind of backing which the successful Japanese consortium had received. At about the same time, the Government failed to accept Trafalgar's offer for the Vickers nuclear submarine building facility at Barrow. Then, the Euroroute scheme for a drive-through Channel link, of which Sir Nigel was chairman, lost out to the cheaper tunnel proposal.

Trafalgar's political touch was questioned at the time, but Sir Nigel is now a little more mellow about those setbacks. "That's all in the past," he says. And the Bosphorus opportunity looms again, this time with the Turks under political pressure to choose European builders as part of a possible entry fee to the European Community.

Sir Nigel claims, incidentally, that the bridge/tunnel concept floated by Euroroute would have proved viable, and the more modest tunnel now being built will face an immediate overload just like that experienced on the M25, London's orbital motorway. "SNCF and British Rail have both greatly increased their traffic forecasts, you could start on a bridge today."

Sir Nigel Broackes is focusing on the construction upsurge in the UK, which he believes will extend well beyond 1992. The redevelopment of London's Docklands is an important part of this.

Sir Nigel says that being head of the London Docklands Development Corporation, from 1979 to 1984, was one of the most exciting and rewarding things he has done. Since he ceased to be chairman of the corporation, Trafalgar has been free to bid for work in the area and has picked up a great deal of it.

But is Canary Wharf, the biggest development in Docklands, a gigantic gamble? Sir Nigel says not. "Since the Reichmanns came in, it has turned into *an absolute cast* iron certainty. I'm convinced it will be a great success because of the critical mass concept and the nature of the buildings they are putting in there."

He sees the London office property market dividing into centres – Docklands, the City and the West End – with gaps in between. "There will be an over-supply of office space some time in the 1990s, but I'm not expecting it to lead to widespread distress among property owners and developers. It's going to restore the importance of location, which used to be a fundamental but has got a bit blurred recently."

Meanwhile demand for space is holding up: City of London professionals, like solicitors and accountants, have taken over from bankers and brokers. And the obsolescence of older office property will keep the developers busy for a long time. "I'm very glad they didn't build for a hundred years."

But why did it need a foreign developer – the Reichmann brothers' Toronto-based Olympia & York Developments – to take on Canary Wharf? Sir Nigel does not seem to hold out much hope that European property and construction groups could grow to the necessary size. He sees the single European market of 1992 as bringing economic benefits to the UK, rather than making European expansion attractive.

Canary Wharf, he suggests, is too big for the locals and needs the Reichmanns. "It takes a developer with world-scale resources. There is only them. Nobody here could do it. The fact that these men have taken all of it *gives it the credibility.*"

Throughout Europe, he says, house building is extremely localised. As for construction on the Continent, Trafalgar is content to have a joint venture with Bouygues, France's largest construction company. "I can't see that leading us into the Continent. I think I can see it bringing Continental expertise into this country. But there's not much that we would want to do on the ground in Continental Europe. There is far more for us in the Far East."

Certainly Sir Nigel displays no trace of 1992 fever, or indeed any current enthusiasm for takeovers, although Trafalgar has made more than its share of takeovers in its time.

"I think it's very easy to pay too much. Although most people's shares have settled down at three-quarters of what they were last summer, the price you have to pay in a takeover *is as high as it was then.*"

He is prepared to be patient; indeed, his attitude has often seemed positively laid-back. He admits to enjoying a luxurious lifestyle. "It goes with a certain amount of material success. Yes, one does have a house in the South of France and a yacht and the sort of things that you pick up along the way. I wouldn't say I was an idle person, but I am certainly not a mad workaholic. I'm extremely distrustful of people who work a 90-hour week." He has no directorships outside Trafalgar.

Nevertheless he does seem to hanker after another diversification, perhaps on the lines of what he calls his "random adventure" in newspapers. The purchase of the Beaverbrook papers was highly unpopular with shareholders, and the shares were eventually floated off as a free issue of Fleet Holdings to shareholders, opening in 1981 at around 20p. Those who held on did well: Fleet was taken over by United Newspapers in 1985 at 375p.

The purchase of the newspapers and of the Morgan-Grampian magazine group was only the first stage of Trafalgar's original plan. "The other part of the concept was to go further with information and communication in the direction of Thorn EMI and Decca."

"It's very rare for us to discontinue an activity in Trafalgar," he observes. "We have simply added other activities as the cash flow and skills were available." But he had underestimated the *ability* of newspapers to put their managers under a spell. His right-hand man, Victor (later Lord) Matthews, was spun off with the Express Group. "They were all so obsessed with what they were doing that they had no capacity to do anything else," he remarks. "That was a disappointment to me."

If Sir Nigel's business career was short-lived, so was his personal career as a writer. Nine years ago, aged of 44, he found time to publish a volume of autobiography called A Growing Concern. But when he settled down last summer to begin volume two he found that many of the anecdotes were too hot to be written – like the time two years ago when he briefly served as a non-executive director of *Distillers during the* Guinness takeover battle, or his unsuccessful attempt to become chairman of Eurotunnel, following on from Euroroute. "I couldn't do it, there was too much politics," he says sadly.

The lawyers' lawyer

JUSTINIAN

THERE are, broadly speaking, two kinds of Attorney General. One is the chief legal adviser to Her Majesty's Government, who reveals himself as a legal luminary keeping the Government on the right legal tracks. The other is the lawyer-politician who, as Law Officer of the Crown, sees his role as steering political colleagues through the politico-legal thickets that administrations encounter.

Sam Silkin (Lord Silkin of Dulwich, QC), who died last week, was a distinguished member of the former class. It was not that he displayed poor political judgment when deciding on issues that crossed his Law Officers' desk, but that he would never compromise on the rule of law. He saw his task as the public's representative to uphold the law, even if the consequence was to harm the cause of his ministerial colleagues.

To those who worked with and for him, Sam Silkin was the quintessential lawyer's lawyer. He listened carefully to his legal civil servants, was never perfunctory about draft memoranda or written opinions that emanated from his office and was punctilious, even over-scrupulous, in making sure he got the law right.

All these characteristics stood him in less good stead as an advocate. He was a studied, if not ponderous, speaker, without the overt liveliness and forcefulness of the stereotype courtroom barrister.

His awkward style hindered him in encounters with some courts. He was shabbily treated by Lord Denning in the Court *of Appeal over his refusal to* give any reason for refusing to grant the administrative director of the National Association for Freedom permission to seek an injunction against the Post *Office Workers' Union.* (The union had ordered a dubiously lawful boycott of mail destined for South Africa.)

Sam Silkin was adhering to the constitutional convention that the Attorney General was answerable only to parliament for a decision whether to allow a private action for a public wrong. His stance was amply vindicated in the House of Lords, which reversed the deci*sion of the Court of Appeal.* Wholehearted support was lent to him by Viscount Dilhorne, a former Conservative Attorney General and later Lord Chancellor.

There were, it is true, too many instances of questionable decisions during Sam Silkin's 1974-79 Attorney Generalship for them to be brushed aside as aberrations. They were the product of his profound belief in his apolitical role.

One example was his role in the Clay Cross incident, in which councillors in Derbyshire were surcharged and disqualified from office for wilfully causing financial loss by refusing to increase council house rents, under the Housing Finance Act 1972. Silkin had advised his Labour colleagues, then in opposition, that it would be wrong to condone the councillors' action. Yet, when in office, he drafted legislation giving the councillors immunity from disqualification, although it did not relieve them of the surcharge.

His pursuit of the publishers of the Crossman diaries, on the grounds that the publication by a former minister of Cabinet decisions was a breach of confidentiality, pales into insignificance as an ill-judged decision by comparison with the present Government's similar reliance on the private law of confidentiality to prevent an ex-secret service officer from *revealing official* information.

Again, Silkin's handling of the prosecution of three persons for an article in Time Out revealing the existence (then unknown) of GCHQ at Cheltenham aroused hostility within Labour circles. But, to the legal profession, Silkin's actions were always explicable.

It was as if Silkin was determined to isolate the constitutional role of the Attorney General from his political position as MP and member of a government. His political neutrality was sadly not reciprocated when the Conservatives won the 1979 election. Silkin's appointment to the Court of Appeal would have been acclaimed by the legal profession. Sadly, the Government *declined to respond to private* pressure to make the appointment.

Political overtones have dominated the public image of Sam Silkin. Those not so enamoured of the political dimensions of the Law Officer's role will record the profession's debt to him. He was the architect of a national prosecuting service, which he passionately believed would rid the English *criminal justice system of its* least attractive parts. It was he (together with the Home Secretary) who appointed Sir Henry Fisher to inquire into the gross miscarriage of justice perpetrated on the three youngsters who had been convicted of murdering a transvestite and setting fire to a house in Lewisham. Sir Henry's acute analysis of the defects in English criminal procedure led to the appointment of the royal commission which recommended the setting up of the Crown Prosecution Service.

Both within Government administration and in his private life, Sam Silkin was a warm, gentle and engaging companion. The civil servants in the Law Officers' Department were devoted to him, as with no other Law Officer of modern times. They admired his legal acumen, responded instinctively to his leadership, and, long after he had left public office, kept in touch socially. Properly viewed, Sam Silkin was an adornment to the legal profession in its contribution to British social democratic government.